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See Vol. 3486  
NO. 22588

3489  
v. 3489

IN THE UNITED STATES COURT OF APPEALS  
FOR THE NINTH CIRCUIT

JOSE MALAGON-RAMIREZ,

Appellant,

vs.

UNITED STATES OF AMERICA,

Appellee.

---

FILED

JUN 19 1968  
MAY 31 1968

WM. B. LUCK, CLERK

APPELLEE'S BRIEF

APPEAL FROM  
THE UNITED STATES DISTRICT COURT  
FOR THE SOUTHERN DISTRICT OF CALIFORNIA

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IN THE UNITED STATES COURT OF APPEALS  
FOR THE NINTH CIRCUIT

JOSE MALAGON-RAMIREZ,

Appellant,

vs.

UNITED STATES OF AMERICA,

Appellee.

---

APPELLEE'S BRIEF

I.

JURISDICTIONAL STATEMENT

This is an appeal from the judgment of the United States District Court for the Southern District of California adjudging appellant to be guilty as charged in all four counts of a four count indictment.

The offenses occurred in the Southern District of California. The District Court had jurisdiction by virtue of Title 18, United State Code, Sections 3231 and 111, and Title 21, United States Code, Sections 176a and 174. Jurisdiction of the Court rests pursuant to Title 28, United States Code, Sections 1291 and 1294.





## II .

### STATEMENT OF THE CASE

Appellant was tried under an indictment consisting of four counts. Counts One and Two involved approximately one ounce of heroin and Counts Three and Four approximately seventy pounds of marihuana. Counts One and Two were both violations of Title 21, United States Code, Section 174, and Counts Three and Four of Section 176a thereof. Count One charged the appellant with having smuggled the heroin and Count Two with the transportation and concealment thereof. Count Three charged the appellant with having smuggled the marihuana and Count Four with the transportation and concealment thereof. [C.R. 2-5].<sup>1/</sup>

Appellant pleaded not guilty [C.R. 10] and was tried before a jury on June 6, 1967. [C.R. 19-20; R.T. 2].<sup>2/</sup> He was found guilty on all four counts [C.R. 21; R.T. 87-88]. Thereafter, on July 7, 1967, appellant was committed to the custody of the Attorney General for a period of seven (7) years on each count to run concurrently [C.R. 24].

At the close of the government's case in chief, appellant had made a motion for judgment of acquittal as to Count Two only (the transportation and concealment of the heroin) but it was denied [R.T. 35].

---

<sup>1/</sup>

"C.R." refers to Clerk's Record on Appeal.

<sup>2/</sup>

"R.T." refers to Reporter's Transcript of Proceedings.





### III .

#### ERROR SPECIFIED

1. Appellant's motion for judgment of acquittal was erroneously denied. The circumstantial evidence of the possession of the heroin was insufficient. [Appellant's Brief, p. 5 and 7].

2. The trial court's instruction on the subject of reasonable doubt was erroneous and appellant was thereby deprived of the benefit of the presumption of innocence [Appellant's Brief, p. 6, 7-9].

### IV .

#### STATEMENT OF THE FACTS

On February 15, 1967, appellant entered the United States from Mexico at the Port of Entry, San Ysidro, California. He was driving and was the sole occupant of the vehicle [R.T. 4]. He presented a non-resident alien border crossing card and gave a negative customs declaration in regard to merchandise [R.T. 5]. The Customs Inspector, Mr. Trumble, noted the rear arm rests were missing and the rear window would not roll down and so escorted the appellant to the secondary inspection area. There appellant was escorted into the office and seated in the chair beside the desk [R.T. 5]. There were no other people sitting next to the chair; the chair was approximately a foot and a half to two feet from the Customs Inspector in the office; it was the only chair in the vicinity [R.T. 6]. While appellant was seated in the chair, Mr. Trumble went out to the car and found packages containing a green vegetable substance [R.T. 5-6].





Mr. Trumble then returned, took appellant into the search room, searched him and found nothing [R.T. 6]. Mr. Trumble then placed appellant in one of the holding rooms and returned to the office; as he walked by the chair where appellant had been sitting he saw a rubber contraceptive lying on the floor beside the chair. His Marquis Reagent test for heroin was positive with regard to the tan powder taken from the contraceptive [R.T. 6-7].

On cross-examination, Mr. Trumble testified that he noted nothing peculiar about the behavior of appellant who was cooperative [R.T. 8-10]. Mr. Price was the inspector in the office and the only person in the immediate vicinity of the chair when the appellant was brought in and seated. Mr. Trumble did not make a preliminary search of the area surrounding the chair. He further testified it was quite likely that someone had sat on the chair previously [R.T. 10-11]. Appellant became slightly agitated when he and Mr. Trumble got back to the search room, but up to that point he hadn't been unusually nervous [R.T. 12]. The contraceptive was about six to eight inches from the chair and was between the desk and the chair, about a foot to fourteen inches from the desk [R.T. 13].

Appellant stipulated as to the chain of custody of the contraband and that a chemist would testify it was marihuana and heroin [R.T. 14-16].

Customs Agent Maldonado testified that he questioned the appellant on February 15 after advising him of his rights [R.T. 20-21]. At that time appellant denied knowledge of the marihuana and heroin and said his only reason for making the trip was to obtain a stove for his wife [R.T. 23], that



he had met a Mr. Padilla who stated he had some connection in the United States to obtain a stove at a reasonable price, had gone to Los Angeles with Mr. Padilla on February 10, but couldn't find a stove and so met with Padilla again on the 15th for another trip [R.T. 22-23].

On both occasions Mr. Padilla got out and walked across the line to meet with two other riders in the United States side who were to help defray travel expenses [R.T. 22-23].

The agent could not locate Mr. Padilla and appellant could give no instructions or method as to how to locate him. The car was registered to a Mrs. Maria de Los Angeles in Tijuana [R.T. 25]; her address on the registration did not exist and she was unknown by the people who lived in the area of the address [R.T. 27]. Appellant did not know Mr. Padilla's first name.

The appellant attempted to plead guilty to Count Three of the indictment out of the presence of the jury but would not admit knowledge of the marijuana prior to its discovery by the agents [R.T. 36-39].

The defendant testified that he was 29 years old, married and had 3 children; that he came from Michoacan to lower California and resided in the Edif. Fertana Building but moved to 33B Auzuras [R.T. 40-41]; that he worked for a Surety Company as an agent and about 15 days before the arrest he met a Mr. Padilla who had the vehicle involved and appellant was going to sell him insurance because Padilla told him he had several cars [R.T. 42]. He further testified that Padilla had a secondhand store and was





going to assist appellant in obtaining a stove, but he did not know where Padilla's store was [R.T. 43]; that he never used marihuana or heroin; that he had never been arrested and attended school 5 years [R.T. 44]. Appellant also testified he only knew Padilla by his last name, had both Lower California and Michoacan drivers' licenses and did not know a Mrs. Maria de Los Angeles; that Padilla never gave him any money; and that he was going to bring the stove back in the trunk of the car [R.T. 45] and put it in his house at 33B Azuras, Colonial Libertad [R.T. 46]. He further testified Padilla didn't cross the line in the car because he was to meet two passengers on the United States side who didn't have resident cards, just local cards [R.T. 47].

On cross-examination appellant stated he never got Padilla's first name because Padilla wasn't ready to do business yet; that he met Padilla near the RCN radio station [R.T. 48]; that he gave the Azuras address to the Customs officer; that the stove was to be a 4 burner in the \$15.00 price range [R.T. 49]; that the first trip they went to within 12 kilometers of Los Angeles and the other 2 passengers never used Padilla's first name [R.T. 50]; that they never went to a store but just stopped and Padilla got out and appellant didn't even look for a stove [R.T. 51]. He further testified he had never gone to Padilla's store and never saw Padilla's other cars [R.T. 52].

On the Court's questioning, appellant stated he had seen Padilla four times and that on the first trip they did not go to stores [R.T. 53-54]; that he got a ticket on that trip and when he was arrested at the border he was





actually coming across to pay the ticket and wasn't interested in the stove any more [R.T. 56]. That on his return appellant was to leave the car with the keys in the ashtray at the Alva Rojo School [R.T. 56].

On rebuttal Agent Maldonado testified appellant did not give him an address on Auzuras [R.T. 57]. Appellant was recalled to testify he never had the heroin [R.T. 61].

The Court's instructions are covered by pages 72 through 84 of the Reporter's Transcript and appellant made no objection to them [R.T. 85].

V.

ARGUMENT

A. THE SUFFICIENCY OF THE EVIDENCE SHOULD NOT BE CONSIDERED BY THIS COURT, BUT EVEN SO THE EVIDENCE OF THE POSSESSION OF THE HEROIN WAS SUFFICIENT AND THE DENIAL OF THE APPELLANT'S MOTION FOR JUDGMENT OF ACQUITTAL WAS PROPER. IN ANY EVENT DENIAL OF THE MOTION WITH REGARD TO THE HEROIN WAS NOT PREJUDICIAL WITH REGARD TO THE MARIHUANA COUNTS.

Actually appellant's motion for judgment of acquittal was only as to Count Two of the indictment [R.T. 35], and it was not renewed at the close of the case after appellant put on his evidence [R.T. 57-62]. As a general rule a motion for judgment of acquittal, made at the close of the evidence for the prosecution, is waived and a review of the evidence



precluded, where the accused introduces evidence on his own behalf and does not renew the motion at the conclusion of all the evidence.

Lucas v. United States, 325 F.2d 867 (9th Cir. 1963)

Foster v. United States, 318 F.2d 684 (9th Cir. 1963)

Drown v. United States, 198 F.2d 299 (9th Cir. 1952), cert. denied, 344 U.S. 920 (1953).

Thus, under the general rules of procedure, this court should not consider the sufficiency of the evidence. Furthermore, since the motion was only made as to Count Two, it would seem anomalous to consider it with reference to the other counts.

Assuming for purposes of argument that a renewal of the motion at the close of the case was not necessary; nevertheless, as pointed out above it was only made with reference to Count Two. Counsel for appellant recognizes this but argues that the failure to grant the motion was prejudicial as to all four counts (Appellant's Brief, p. 13-14). His reasoning, however, is circular, for he states, "If the jury believed that he had dropped some heroin in the Customs Office, it was of course exceedingly unlikely that they would believe that he did not know that the marihuana was in the automobile. Since the jury did erroneously conclude the appellant dropped the heroin . . . . they must have been prejudiced as to the marihuana counts." (Appellant's Brief, p. 13-14).

The circuitry of this argument is demonstrated by reversing the phraseology:





"If the jury believed that appellant smuggled the marihuana, it was of course exceedingly unlikely that they would believe that he did not drop the heroin in the customs office. Since the jury concluded the appellant smuggled the marihuana . . . . they must have been influenced thereby as to the heroin counts."

It is submitted the second "circuit" phrased above, i.e. marihuana to heroin rather than heroin to marihuana, is the more likely route taken by the jury. However, rather than getting into a chicken and egg situation as to the reasoning of the jury, it would seem wiser to analyze the evidence. It is uncontested that the appellant was the driver and sole occupant of an automobile in which the marihuana was smuggled, and it is submitted that even appellant's counsel must concede that appellant's explanation of the circumstances was "fishy" at best. Under such evidence there can be no question of the sufficiency of the evidence as to counts Three and Four [See Aguilar v. United States, 363 F.2d 379 (9th Cir. 1966), a similar border crossing case where the accused was driving another's car, there was no direct evidence or admission of knowledge, and the trier of fact was held to be entitled to believe the accused's story "fishy" ].

Be that as it may, assuming for the moment that the motion as to Count Two should and would have been granted, it is nevertheless submitted that no prejudice to the appellant resulted, for the heroin would still have been admissible as to Count One. And since no motion for judgment of acquittal was made with respect to Count One, it would certainly seem out of order to even consider that matter now. And if the



same so-called prejudicial matter would have been considered anyway, how could appellant have been prejudiced by the denial as to Count Two?

Thus, in order to even consider appellant's first main argument, we must assume (1) that renewal of the motion for judgment of acquittal at the close of the case was not necessary, and (2) that the motion was made with regard to Count One as well as Count Two. Assuming arguendo that such is the case, was the evidence in regard to the heroin sufficient to support conviction as to Counts One and Two?

In arguing that the evidence is insufficient, appellant relies solely on Davis v. United States, 382 F.2d 221 (9th Cir. 1967) and completely ignores such cases as Galvan v. United States, 318 F.2d 711 (9th Cir. 1963) where the heroin was found the next morning about 9 feet from the nearest track of Galvan's car and later pulled out of a garbage truck, and Vaccaro v. United States, 296 F.2d 500 (5th Cir. 1961), cert. denied, 369 U.S. 890 (1962) where the marihuana was found near the side of the road about 24 hours later and no one saw the accused holding or disposing of the suitcase but nevertheless it was admitted into evidence, or Ketchum v. United States, 259 F.2d 434 (5th Cir. 1958) where a sack of marihuana was found alongside the road about a half hour after the defendants were arrested. In that case no witness testified the sack was ever in the defendant's physical possession, nor that it was seen being disposed of, but the conviction was affirmed and withstood repeated attacks to the United States Supreme Court.

Cert. denied, 359 U.S. 917 (1959)





Rehearing denied, 359 U.S. 956 (1959)

Cert. denied, 365 U.S. 861 (1961)

Cert. denied, 369 U.S. 880 (1962).

It is true that in the cases just cited there was evidence of flight which is not the case here, but in the instant case there is evidence of contraband in the car of which appellant was the sole occupant though such was not the case in Galvan and Davis. Furthermore, in Davis during the interval from the time the accused occupied the Sheriff's car to the time the contraband was found, the car had been unattended on several occasions and the officer had made several observations of the automobile without discovery of the heroin, while in the instant case the heroin was found almost immediately after the appellant had occupied the chair in question.

Appellant concedes the time interval difference in Davis from the case at bar but emphasizes the opportunity for someone else to have disposed of the heroin prior to appellant's presence in the chair (Appellant's Brief, p. 12-13). The same, however, could be said with respect to the Galvan, Vaccaro and Ketchum cases cited above and also even with respect to Davis, for in that case the deputy sheriff testified that though he examined the vehicle before Davis entered it, nevertheless he did not look under the "cool cushion" on the driver's seat where the heroin was eventually discovered, Davis v. United States, 382 F.2d 221 (9th Cir. 1967) at page 223.

Even assuming that the Davis case does apply, that the motion need not have been renewed, and that it is held to have impliedly been made with respect to Count One as well as Count Two; nevertheless, appellant



still has the difficult burden of establishing that denial of the motion for judgment of acquittal as to Counts One and Two was so prejudicial as to Counts Three and Four that the judgment must be reversed as to all four counts.

It is interesting to note that appellant cites no cases to support this amazing contention, and it would appear to the government that the only grounds for such a position would be that the trial court committed plain error in not rejecting all evidence as to the heroin or in not instructing the jury to disregard all evidence relating thereto. Many cases can be cited, of which Lucas v. United States, cited above, is only one, to the effect that this court should not exercise its discretion regarding errors not properly raised at the trial unless failure to do so would shock its judicial conscience and operate as a palpable miscarriage of justice. Nowhere did appellant object to the introduction of the evidence regarding heroin or request an instruction for the jury to disregard it, and when all the circumstances of this case are considered, certainly it cannot be claimed there was a palpable miscarriage of justice or that the judicial conscience of this court should be shocked. After all it is uncontroverted that the appellant was driving and was the sole occupant of the vehicle in which marihuana was secreted. Furthermore, the appellant was sitting in the chair and heroin was found nearby almost immediately thereafter. Those facts are inescapable, and with the congressional inferences contained in Title 21, United States Code, Section 176a and 174, and the inherently "fishy" nature of appellant's story clearly set forth in the record, certainly





this court could not believe there was a palpable miscarriage of justice.

B. THIS COURT SHOULD NOT RECONSIDER THE TRIAL COURT'S INSTRUCTIONS TO THE JURY BECAUSE NO OBJECTION TO THEM WAS MADE BY THE APPELLANT. NEVERTHELESS, THEY WERE ADEQUATE, AND IN ANY EVENT DID NOT CONSTITUTE PLAIN ERROR .

Appellant expressly made no objection to the instructions as given or omitted [R.T. 85]. Consequently, he has no standing here to complain.

Ramirez v. United States , 294 F.2d 277 (9th Cir. 1961)

Appellant concedes that the definition of reasonable doubt given by the trial court [R.T. 75-76] was proper [Appellant's Brief, p. 10], but complains that the court's later instruction concerning the judging of the evidence [R.T. 83, lines 5-14] was easier to understand and prejudicially wrong.

The portion complained of is an exact quote of the first two paragraphs contained in Section 15.06 of Mathes and Devitt's 1965 edition of Federal Jury Practice and Instructions. Appellant cites only one case, Holland v. United States, 348 U.S. 121 (1954), but that case discusses the definition of reasonable doubt and not an instruction concerning how the jury is to consider and analyze evidence. In fact when that point is discussed in Holland (in that paragraph immediately prior to that quoted by appellant), the Supreme Court said, "In both (circumstantial and testimonial evidence), the jury must use its experience with people and events in weighing the



probabilities." Holland cited supra, at page 140 thereof. It is submitted this definitely sounds in consonance with the trial court's charge here considered and, in any event, does not indicate plain error or prejudice. <sup>3/</sup>

Appellant also complains about the lack of instruction regarding the so-called Scotch verdict - - "not proven" [Appellant's Brief, p. 17], but cites no case in regard to that requirement, and certainly if failure to give such an instruction is plain error some case requiring it could be cited. Be that as it may, it is submitted that taken as a whole the instructions were adequate and certainly cannot be held to shock the judicial conscience or to operate as a palpable miscarriage of justice.

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<sup>3/</sup>

Incidentally, it is interesting to note that the Supreme Court, at p. 139-140 of Holland, rejected a requested instruction regarding "every reasonable hypothesis other than that of guilt" which is the heart of appellant's Argument I.





IN THE UNITED STATES COURT OF APPEALS  
FOR THE NINTH CIRCUIT

EARNEST HAMMOND,

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vs.

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Appellee.

AUG 23 1968

NO. 22589

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IN THE UNITED STATES COURT OF APPEALS  
FOR THE NINTH CIRCUIT

EARNEST HAMMOND, )  
 )  
 Appellant, )  
 )  
 vs. )  
 )  
 UNITED STATES OF AMERICA, )  
 )  
 Appellee. )  
 \_\_\_\_\_ )

NO. 22589

APPELLEE'S BRIEF

I

JURISDICTIONAL STATEMENT

This is an appeal from the judgment of the United States District Court for the Southern District of California denying appellant's motion under 28 USCA 2255, after a hearing with appellant present.

[C. T. 19-23]<sup>1</sup>

Jurisdiction of the District Court and this Court rests pursuant to 28 USCA 2255.

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<sup>1</sup>"C. T." refers to the Clerk's Transcript.



## II

### STATEMENT OF THE CASE

Appellant was convicted of two counts involving smuggling and conspiracy to smuggle heroin under 21 USCA 174 and was sentenced to ten years on each of the two counts, to run concurrently.

Appellant appealed from the judgment of conviction, and the conviction was affirmed by this Court. (Hammond v. United States, 356 F 2d 931 (9th Cir. 1966))

Thereafter on March 23, 1967, he filed this motion. On September 22, 1967, the Honorable Fred Kunzel, United States District Judge, denied the petition, as previously stated.

On September 27, 1967, Notice of Appeal was filed.

## III

### ERROR SPECIFIED

Appellant specifies the following points upon appeal:

1. The claim of being held incommunicado.
2. The denial of a favorable witness.
3. Lack of speedy trial.
4. Prejudicial statements by the prosecutor.





#### IV

#### STATEMENT OF THE FACTS

Appellant was arrested on Friday, September 25, 1964, and taken before the United States Commissioner at the earliest available opportunity on the following Monday [C. T. 20; R. T. 297].<sup>2</sup>

He was informed of his right to use the phone by Customs Agents Miller and Quick as well as officials at the jail. A notice was also posted informing appellant that he was entitled to two phone calls. The jail records indicate that he drew money to make a phone call. He was taken to the hospital there on two separate occasions, was permitted visitors on weekends, and could write and receive letters [R. T. 300-309; 315-317].

He was transported to the Los Angeles County Hospital for treatment of his tubercular condition before trial [C. T. 23; R. T. 364-369].

He was represented vigorously at the trial by Lynn McDougall, an experienced criminal lawyer [R. T. 282]. McDougall testified he contacted Melvin Jackson, a co-defendant, in the absence of his counsel, and Jackson agreed to testify that Jackson drove the vehicle and that appellant wasn't present when Adams bought the heroin and put it in the vehicle [R. T. 272-234].

Jackson didn't recall any such discussion, but didn't talk to the prosecutor nor any government agent [R. T. 250; 268-269].

---

<sup>2</sup> "R. T." refers to the Reporter's Transcript.



His attorney informed appellant's attorney that Jackson would refuse to testify. A stipulation was entered into during the trial that if called Jackson would testify that he drove the vehicle [C. T. 21; R. T. 53-58D].

## V

### ARGUMENT

#### A. APPELLANT WAIVED ALL CLAIMS OF ERROR.

Appellant waived any right to claim error on the questions presented in this appeal. These matters could have been raised in the trial court and on the previous appeal. See Hammond vs. United States, 356 F.2d 931 (9th Cir. 1966).

In Grimes vs. United States, No. 21,659, 9th Cir., June 6, 1968, often-repeated language is used as follows: "Consequently, the rule is applicable that Section 2255 may not be invoked to relitigate questions which were or should have been raised on a direct appeal from a judgment of conviction." (Emphasis supplied)

The trial record clearly shows that appellant was aware of all issues raised here during his trial and his appeal.

This entire appeal is premised on grounds which should have been objected to at the trial level in this case. As to failure to object acting as complete waiver, this court said in White vs. United States, 315 F.2d 113, 116 (9th Cir. 1963), Cert. den. 375 U.S. 821:



"Even had there been a taint of unfairness or prejudice, no voice was raised in protest - no objection ever raised - no chance given the trial court to cure any alleged error. This is a complete waiver."

Calculated decisions made by his attorney, and known to him, are binding on appellant.

Grimes vs. United States, supra;

Poole vs. Fitzharris, No. 20,925, 9th Circ., June 12, 1968;

Schawartzberg vs. United States, 379 F.2d 551 (2nd Cir. 1967).

B. ASSUMING ARGUENDO THAT APPELLANT HAS NOT WAIVED HIS RIGHT TO BE HEARD ON THIS ACTION, HE HAS NOT CARRIED THE BURDEN OF PROOF UPON ANY POINT ALLEGED.

---

A motion under 28 USCA 2255 requires the petitioner to prove his allegations by a preponderance of the evidence. In other words, the burden of proof is on the petitioner. Mealer vs. United States, 383 F.2d 849 (9th Cir. 1967).

C. APPELLANT WAS NOT HELD INCOMMUNICADO AS CLAIMED.

---

Lt. Roger Hollingsworth, Chief Jailer, testified unequivocally that prisoners were allowed two and possibly more telephone calls [R. T. 300].

Appellant drew one dollar in cash and the probable purpose for which money could be drawn was for the telephone. Cash was not used





for commissary purchases [R. T. 306-307].

Appellant was taken to the U.S. Commissioner on Monday [R. T. 262]. Appellant was also taken to the Imperial County Hospital on September 26, 1967, and September 28, 1967 [R. T. 349].

He was also permitted to write and receive letters and have visitors [R. T. 348].

Owen I. Miller, Jr., and Agent Quick testified that appellant was informed of his right to make phone calls.

Assuming arguendo, that appellant was held "incommunicado", as claimed, he has neither alleged nor proven any resulting prejudice. United States vs. Angelet, 265 F.2d 155, 157 (2nd Cir. 1959).

#### D. APPELLANT WAS NOT DENIED THE TESTIMONY OF A FAVORABLE WITNESS.

---

During the trial, Mr. Jackson's attorney, Joseph Bryan, apparently informed appellant's counsel that Jackson would claim the Fifth Amendment.

Appellant didn't call Jackson as a witness. Government counsel stipulated to everything requested by counsel for appellant — that Jackson would testify that he was driving the car, and that Hammond was not. Jackson's criminal record was not used for impeachment purposes.

Appellant seemed satisfied with this stipulation.

Jackson was entitled to claim the Fifth Amendment. He could



probably be prosecuted under California State law and for conspiracy under Nevada law.

Appellant assumes there was wrongful and coercive conduct on the part of the counsel for the government.

The record clearly refutes this. Mr. Bryans remembers being in the Federal Building and that Mr. McDougal was angry [R. T. 290-293].

Jackson testified that Government counsel never talked to him about his case, testifying or not testifying [R. T. 256]. No agent of the government told him not to testify [R. T. 258]. He testified that he didn't remember talking to anyone [R. T. 268-69].

Jackson admits that he told the officers that there was no heroin in the trunk [R. T. 260], and that none of the four men acquired any heroin in Mexico [R. T. 264].

Jackson never told anyone that he would testify [R. T. 268-269].

Appellant's original counsel claims to have talked to Jackson, while knowing that he was a defendant, and in the absence of Jackson's counsel, Mr. Bryans, and claims to have extracted a promise to testify. He claims to have been surprised when Jackson's attorney appeared in Court.

Government counsel denied discussing Jackson's claiming the Fifth Amendment with anyone until McDougall informed him of the developments. A stipulation was then entered into [R. T. 71].

Counsel for appellant said, "First your Honor, we have this





stipulation and I would ask that you read it." [R. T. 71] He seemed satisfied with the stipulation.

Appellant presents a discussion on his failure to join in any waiver by not objecting and not raising points on appeal. The cases relied on refer to such basic rights as jury waiver that are traditionally joined in by appellants. Certainly these cases don't apply to decisions involving objections during trial and points to be raised for appeal.

See the reasoning in Gray vs. United States, 345 F.2d 282, 288-289 (9th Cir.), Cert. den., 382 U.S. 919 (1965).

**E. REMARKS OF GOVERNMENT COUNSEL WERE  
NOT PREJUDICIAL UNDER THE CIRCUMSTANCES.**

---

One small paragraph out of a total argument of 21 pages is cited by appellant. The trial court held that the remark was a proper inference from the evidence presented. See Thomas vs. United States, 392 F.2d 44 (9th Cir. 1968), and United States vs. Sacony Vacuum Oil Co., 310 U.S. 150, 239, 241-242 (1939). This court held in Green vs. United States, 282 F.2d 388 (9th Cir. 1960), Cert. den., 365 U.S. 804, that the final argument in a case may contain, and counsel are permitted to argue, all reasonable inferences that can be drawn from the evidence adduced.

No objection was made to the remark by counsel. Objection gives the Court a chance to correct the error. Olar vs. United States, 391 F.2d 773 (9th Cir. 1968).



F. APPELLANT WAS NOT DENIED A SPEEDY TRIAL.

---

There was minimal delay because of appellant's tubercular condition, necessitating his removal to the Los Angeles County Hospital. The delay was not purposeful and oppressive and appellant claims no prejudice. See Maquire vs. United States, 21,659 (9th Cir., June 6, 1968), and cases cited therein.

A case very close on its facts held that removal of a defendant for medical treatment and a delay of bringing him before a court for three months was not unreasonable. United States vs. Theriault, 268 F. Supp. 314 (W.D. Ark. 1967).

G. GOVERNMENT COUNSEL'S COMMENTS ON FAILURE TO CALL WITNESSES WERE ENTIRELY PROPER.

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No specific mention was made of Jackson's failure to testify, and since he testified by stipulation, the jury was entitled to wonder why appellant didn't call Townes and Adams.

Forsberg vs. United States, 351 F.2d 242 (9th Cir. 1965), Cert. den., 383 U.S. 950.

Again no objection was made during the trial. This constitutes a waiver.

More important, however, the remarks, if found to refer to Jackson, were merely responsive to appellant's counsel's specific remarks on the government's failure to call Jackson, knowing that he



had claimed the Fifth Amendment [R. T. 131].

See Himmelfarb vs. United States, 175 F.2d 924

(9th Cir. 1949), Cert. den., 338 U.S. 860.

It is indeed ironical that appellant, having gained the benefit of a stipulation when the testimony was otherwise unavailable, and having additionally avoided the impeachment of the defense witness, Jackson, now complains that he should have received more than this. Appellant was not entitled to Jackson's testimony, as Jackson relied upon the Fifth Amendment [R. T. 273-74]. Even if he had testified as a defense witness, he could have been seriously impeached, not only as a result of his criminal record but also because he had told an officer that he knew nothing about the heroin, while appellant apparently contends that Jackson would have testified that appellant was innocent and that one Adams had told him that the heroin was there [R. T. 248-49, 284, 295]. Thus the stipulation was a gift to appellant, as the government lost the opportunity to impeach the defense witness.

Of course, appellant contends that the Government caused Jackson to rely upon the Fifth Amendment, but there is absolutely no evidence to support this suggestion. While it may be fashionable to impute sinister motives to prosecuting attorneys, we have not yet reached the point at which such flights of fancy may substitute for a complete lack of evidence. This portion of appellant's case is plainly frivolous.





The irony of this appeal is compounded by the fact that appellant objects to remarks concerning failure of appellant to call witnesses, which remarks obviously and properly referred to Adams and Townes, as Jackson was a witness by stipulation. Appellant's trial counsel had earlier incorrectly informed the jurors that "The government certainly had an opportunity to bring in Mr. Jackson . . ." [R. T. 131]. This, of course, was not true.

## VI

### CONCLUSION

For the foregoing reasons, it is respectfully submitted that the judgment of the Court below should be affirmed.

Respectfully submitted,

EDWIN L. MILLER, JR.  
United States Attorney

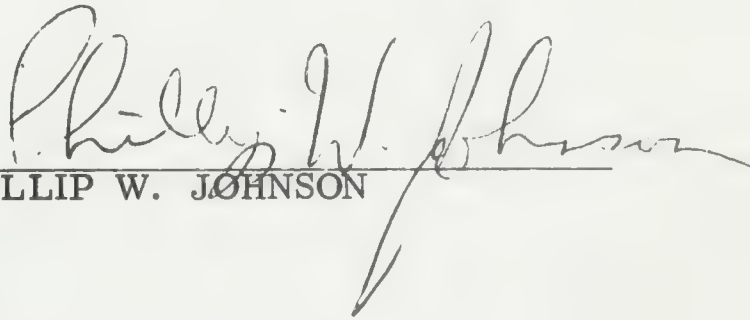
SHELBY R. GOTT  
Assistant U. S. Attorney

Attorneys for Appellee,  
United States of America.



CERTIFICATE

I certify that in connection with the preparation of this brief, I have examined Rules 18, 19 and 39 of the United States Court of Appeals for the Ninth Circuit, and that, in my opinion, the foregoing brief is in full compliance with those rules.

  
PHILLIP W. JOHNSON



IN THE UNITED STATES COURT OF APPEALS  
FOR THE NINTH CIRCUIT

LESTER J. POPE, Superintendent of  
California Medical Facility  
at Vacaville,

Appellant,

vs.

THEODORE MONROE HARPER,

Appellee.

No. 22590

BRIEF OF APPELLANT

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FILED

MAY 31 1968

U.S. COURT OF APPEALS





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1                   IN THE UNITED STATES COURT OF APPEAL  
2                   FOR THE NINTH CIRCUIT  
3  
4  
5

6 LESTER J. POPE, Superintendent of   )  
California Medical Facility        )  
7 at Vacaville,                    )  
                                  Appellant,   )  
8                   vs.                               )  
9                   THEODORE MONROE HARPER,        )  
10                                   Appellee.     )  
11 \_\_\_\_\_

No. 22590

12  
13                   BRIEF OF APPELLANT  
14  
15

16                   JURISDICTIONAL STATEMENT

17                   Appellee, a California state prisoner, filed an  
18 application for writ of habeas corpus pursuant to 28 U.S.C.  
19 2241 et seq., seeking his release from the California Medical  
20 Facility at Vacaville, California. The writ was granted by  
21 the United States District Court for the Eastern District of  
22 California. A certificate of probable cause to appeal was  
23 issued October 26, 1967. This appeal is by the State of  
24 California pursuant to 28 U.S.C. 2253.

25 -----

26 -----





1 appellee's release (Tr. 85-90). Release was stayed for 90 days;  
2 or such additional period as may be granted by the Court to  
3 afford the State of California an opportunity to grant petition  
4 a new trial or take such other steps as the Court may deem  
5 appropriate (Tr. 90).

6 A certificate of probable cause to appeal was issued  
7 October 26, 1967 (Tr. 93). Notice of appeal was filed October  
8 31, 1967 (Tr. 96). The state court judgment herein resulted  
9 from appellee's conviction in the Superior Court of the State  
10 of California, for the County of Los Angeles on March 20, 1963  
11 for violation of Penal Code section 261.3 (rape), two violations  
12 of Penal Code section 288a (oral copulation by force); violation  
13 of Penal Code section 207 (kidnaping), violation of Penal Code  
14 section 4532b (escape), and a violation of Penal Code section  
15 245 (assault by force likely to produce great bodily injury)  
16 (Tr. 31).

17 The California Court of Appeal, Second Appellate  
18 District, reversed the convictions in Case No. 2 Crim. 9082.  
19 Thereafter, a petition for rehearing was filed and granted and  
20 by unpublished opinion dated October 27, 1965, the judgments  
21 of the superior court were affirmed. Alleged Griffin error  
22 was found nonprejudicial under the California Harmless Error  
23 Rule. Appellee's application for a hearing by the California  
24 Supreme Court was denied January 12, 1966.

25 -----

26 -----



## STATEMENT OF FACTS

2 On the morning of August 18, 1962, Sandra Jeanne  
3 Markle went to eat breakfast at Shipp's Restaurant in Westwood  
4 Village, Los Angeles (RT 38-39). Appellee walked into the  
5 restaurant and followed her as she left and went shopping  
6 (RT 40-43). Appellee gave her his name, told her that he  
7 was a dentist, that his wife had just died, and that he could  
8 show her around the village since he knew the area (RT 45, 50)  
9 Without request, Harper carried Sandra's groceries back to  
10 her apartment and entered uninvited. After several refusals  
11 to go out with him, she accepted but thereafter wrote a note  
12 saying she wasn't home (RT 55-56). Sandra then went to the  
13 apartment of her neighbor, Connie Forbes, where appellee again  
14 appeared 20 minutes later. After several additional requests  
15 to go out, she acquiesced in the presence of Connie to going  
16 to his house for an hour for dinner (RT 140-141). Her  
17 acceptance was influenced because she knew the area where he  
18 lived, it was not yet dark, and the date was only for an hour  
19 (RT 60-65). Connie Forbes saw Sandra leave 15 minutes later  
20 (RT 148).

21 At the residence claimed to be appellee's they had  
22 dinner. After dinner, they danced and Harper then began  
23 telling "sex jokes" (RT 73-74). When he started to kiss her,  
24 Sandra got up to leave, whereupon he threw her down, put his  
25 hands around her throat, and told her to unbutton her blouse  
26 (RT 75, 78). She complied out of fear (RT 83). When she



1 again attempted to leave, he again threw her down and began  
2 choking her until, in her words, "I thought I was going to die  
3 (RT 84-85). The choking caused her neck to bleed and raised  
4 welts observed by her neighbor, a friend, and Officer Buckles  
5 (RT 96, 132, 142, 150). Sandra was ordered to remove her  
6 clothing. Out of fear for her life, she submitted to two  
7 acts of sexual intercourse in another room and violations of  
8 California Penal Code section 288a (RT 88-96). At the con-  
9 clusion of this ravishment, she was told by Harper not to tell  
10 anyone what had happened.

11           It later appeared that the name given to her by  
12 appellee was his brother's and that the residence also belonged  
13 to his brother (RT 151, 262). Harper gave various accounts of  
14 his presence at this house at the time of his arrest and twice  
15 attempted to escape from police custody (RT 152-155, 159, 167-  
16 168, 182).

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1                    SPECIFICATION OF ERRORS

2                    1. Appellee has deliberately bypassed his state  
3 court remedies by intentionally electing not to file a petitio  
4 for hearing in the state court following the denial of his  
5 motion to recall the remittitur in the Court of Appeal.

6                    2. The District Court erred in concluding that  
7 comment upon appellee's failure to testify in violation of  
8 Griffin v. California, 380 U.S. 609, was not harmless beyond  
9 a reasonable doubt.

10                    SUMMARY OF ARGUMENT

11                    The transcript of record in this case reflects that  
12 appellee deliberately bypassed his state court remedies in  
13 this case by intentionally withdrawing subsequent motions for  
14 relief by way of petition for rehearing and petition for  
15 hearing in the California Supreme Court following the denial  
16 of his motion to recall the remittitur in the California Court  
17 of Appeal.

18                    Error in commenting on appellee's failure to testify  
19 prior to the decision of the United States Supreme Court in  
20 Griffin v. California, 380 U.S. 609, was harmless beyond a  
21 reasonable doubt under the Fahy-Chapman standard. This con-  
22 clusion follows from the overwhelming weight of uncontroverted  
23 direct evidence presented by the prosecution in its case in  
24 chief coupled with uncontroverted rebuttal evidence which esta  
25 blished the futility of the defense of unconsciousness to the  
26 point of demonstration.



I. APPELLEE HAS DELIBERATELY BYPASSED  
HIS STATE COURT REMEDIES

In this case, appellee filed the instant petition for habeas corpus without having first presented his contention to the requisite state courts. On March 2, 1967, the United States District Court for the Eastern District of California directed appellee to file with the California Court of Appeal a motion to recall the remittitur pursuant to Rule 25, California Rules on Appeal. Jurisdiction was retained pending the application (Tr. 11-12). The order to show cause was issued on March 22, 1967, on appellee's assertion that the motion was denied on March 9, 1967 (Tr. 15-16). Appellant is informed and believes and thereon alleges that such denial was not entered until March 27, 1967.

As the records of the state court will reflect, however, no petition for hearing was ever filed in the California Supreme Court following the denial (see People v. Randazzo (1957) 48 Cal.2d 484, 310 P.2d 413). The highest Court in the state, whose decision in People v. Chapman and Teale (1965) 63 Cal.2d 178 (Rvd. Chapman v. California (1967) 386 U.S. 18) formed the basis for the error which appellee now asserts, has never had an opportunity to pass upon this important question.

The record in this case reflects that appellee is aware of this procedure because it<sup>was</sup> invoked on his original



1 appeal. His petition for hearing on the original appeal was  
2 denied on January 12, 1966. More importantly, a letter  
3 written by appellee on March 25, 1967 (Tr. 19-20) reflects  
4 not only his awareness of state procedures and federal pro-  
5 cedural rules, but also specifically states that he requested  
6 the California Court of Appeal to withdraw any subsequent  
7 motions for further proceedings in the state courts. Con-  
8 sidering the District Court's order and appellee's awareness  
9 of the procedure, it can only be concluded that he has de-  
10 liberately bypassed his state remedies. See U.S. ex rel  
11 Holloway v. Reinke (1964) 229 F.Supp. 132, 139; Kuhl v. United  
12 States, 370 F.2d 20 (9th Cir., 1966).

13 II. THE DISTRICT COURT ERRED IN CONCLUDING THAT  
14 COMMENT UPON APPELLEE'S FAILURE TO TESTIFY  
15 IN VIOLATION OF GRIFFIN v. CALIFORNIA, 380  
U.S. 609, WAS NOT HARMLESS BEYOND A REASONABLE  
DOUBT

16 Appellee Harper was tried and convicted in 1963 for  
17 the offenses for which he is now incarcerated. Thereafter,  
18 the United States Supreme Court announced its decision in  
19 Griffin v. California (1965) 380 U.S. 609, which condemned  
20 California's practice and constitutional provision, Article I,  
21 section 13, which sanctioned comment upon a defendant's failure  
22 to testify. For this error, appellee's convictions were re-  
23 versed on appeal, but a rehearing was granted and on the  
24 authority of People v. Bostick (1965) 62 Cal.2d 820, 44 Cal.  
25 Rptr. 649, 402 P.2d 529, the judgments of conviction were  
26 affirmed by the application of California's harmless error





1 provision, California Constitution Article VI, section 4½  
2 (now Art. VI, § 13).

3 Appellee Harper then filed the petition for writ  
4 of habeas corpus in this case alleging error in failure to  
5 apply the harmless error standard applicable to federal con-  
6 stitutional error announced in Chapman v. California (1967)  
7 386 U.S. 18. The United States District Court for the Eastern  
8 District of California granted the writ, stating:

9 "After carefully reviewing the entire argument  
10 of the prosecutor in this case, I am not convinced  
11 that the comments in regard to the failure of the  
12 defendant to testify were harmless under the Fahy-  
13 Chapman standard. The prosecutor's remarks on  
14 this point were persistent and repetitious. Further-  
15 more the prosecutor's remarks were accentuated by  
16 the giving of CALJIC Instruction No. 51 (Revised)  
17 in a form modified by the trial judge. Accordingly  
18 I conclude that the petitioner is entitled to a  
19 trial which is free of the unconstitutional in-  
20 fluence to which he was subjected." (Tr. 90.)

21 Appellant respectfully submits that there is no  
22 reasonable possibility that the comment and instruction in  
23 this case could have contributed to appellee's convictions.  
24 We initially observe, of course, that error in commenting  
25 upon a defendant's failure to testify in violation of Griffin  
26 does not require automatic reversal; Griffin error may be



1 declared harmless beyond a reasonable doubt in an appropriate  
2 case (Chapman v. California, 386 U.S. 18, 22). The United  
3 States Supreme Court in Chapman specifically rejected the  
4 contention that all constitutional error requires reversal  
5 per se. The Court went so far as to note the value of harmless  
6 error rules for they " . . . serve a useful purpose insofar  
7 as they block setting aside convictions for small errors or  
8 defects that have little, if any, likelihood of having changed  
9 the result of the trial . . . . " Chapman v. California, 386  
10 U.S.18, 22. Thus, this case must not be reversed if the error  
11 can be declared harmless beyond a reasonable doubt.

12           We also note, however, as did the California Supreme  
13 Court, that the writ need not be granted for the sole reason  
14 that we might be able to conceive of some possibility, however  
15 remote, that a jury could have been marginally influenced by  
16 the comment in question. The Chapman test is couched in terms  
17 of "reasonable doubt" and, as the courts tell every juror who  
18 sits in judgment in a criminal case, a reasonable doubt must  
19 be more than a "possible" doubt, since complete certainty is  
20 unattainable in the affairs of men (People v. Modesto (1967)  
21 66 Cal.2d 695, 712, 59 Cal.Rptr. 124, 427 P.2d 788). In this  
22 connection, we are dealing with reasonable possibilities and  
23 honest, fair-minded jurors (Chapman, p. 26).

24           The evidence in this case was overwhelming against  
25 appellee. The victim, Sandra Jeanne Markle, first testified  
26 for the prosecution to the crimes occurring on August 18, 1962



1 (RT 35). Appellee saw her and followed her to her apartment  
2 that morning despite her attempts to discourage him (RT 40-41).  
3 He had attempted to engage her in conversation by telling her  
4 that he lived in the neighborhood, that his wife had recently  
5 died, and that he worked as a dentist in a particular office  
6 building (RT 50). After several refusals to accept a date  
7 with appellee, Sandra Jeanne Markle finally acquiesced, in  
8 the presence of a neighbor, to accompany petitioner to dinner  
9 for an hour. This acceptance was influenced by the fact that  
10 it was still light out, she knew the area, and the date was  
11 only to last an hour (RT 60-65). Her neighbor, Connie Forbes,  
12 corroborated these facts and saw Sandra leave on the date 15  
13 minutes later (RT 137-141, 148). The victim testified to con-  
14 duct establishing the sexually motivated offenses charged in  
15 Counts I, II, III, V and VII (RT 74-98). Compliance with  
16 appellee's actions was secured by choking her until, in her  
17 words, "I thought I was going to die." The choking caused her  
18 neck to bleed (RT 75, 85, 96). Afterwards, appellee told her  
19 not to tell anyone about the events of the evening (RT 98).

20           Upon her return to the apartment, Sandra told Connie  
21 Forbes what transpired and the police were summoned (RT 142-  
22 147). Connie observed the red marks on Sandra's face and throat  
23 (RT 142). Frances Breen, a friend who stopped by that evening  
24 testified to the same effect (RT 131-132). One of the arresting  
25 officers, Jess R. Buckles, also observed the throat marks  
26 (RT 150).





1 Appellee was arrested later that evening. He tried  
2 to pretend that no one was home and started to slip out the  
3 side door when he was arrested. It was then discovered that  
4 the residence did not belong to appellee as claimed, but rather  
5 to his brother, who was the dentist (RT 151, 262). At this  
6 time, appellee stated that he was a relative taking care of  
7 the house (RT 152). He later stated that he was a transient  
8 from Chicago and gave a false name (RT 155, 159, 182). When  
9 appellee was taken to the prosecutrix, he was immediately  
10 identified as her assailant (RT 153-154). Officer Buckles  
11 also testified to an attempt by petitioner to escape from  
12 his custody en route to the jail (RT 153-154). Another escape  
13 was attempted after booking (RT 167-168). To show the use of  
14 force by appellee and the lack of consent by Sandra Markle,  
15 the prosecution also introduced the testimony of three witnesses  
16 who testified to prior offenses by appellee involving similar  
17 conduct - drinking, obscenities, and choking (RT 194, 219, 232)

18 The evidence in this case was not, as in Chapman, a  
19 reasonably strong circumstantial web of evidence against appellee.  
20 This was an irrefutable web of direct evidence. This direct  
21 evidence was supplied not only by the victim, Sandra Markle,  
22 who testified to the sexual crimes committed against her on  
23 August 18, 1962, but also by the corroborative testimony of  
24 those who saw her with appellee and who witnessed her dis-  
25 sheveled appearance and the red marks and bruises on her face  
26 and throat. Additional evidence was supplied from appellee's



1 guilty conduct; his false and inconsistent explanations at  
2 the time of his arrest that same evening and his attempts to  
3 escape on two subsequent occasions. There was in this case  
4 no absent witness to the crimes themselves as in Fontaine v.  
5 California, \_\_\_\_ U.S. \_\_\_\_ (4/8/68), where the informer who  
6 purchased narcotics was not even called. There was no weakness  
7 inherent in the prosecution evidence itself as in Anderson v.  
8 California, \_\_\_\_ U.S. \_\_\_\_, No. 652 Misc. (4/1/68), where the  
9 People's evidence not only showed the defendant's denials, but  
10 also reflected that the victim of the forgery himself knew the  
11 defendant and his brother, but nevertheless allegedly accepted  
12 a check issued to a third person. In this case, there is no  
13 similar gap in the People's evidence that could be or had to  
14 be filled by comment. But more importantly, there was no  
15 defense attempt to controvert this evidence. The defense here  
16 accepted unqualifiedly the commission of the acts alleged, but  
17 sought to suggest the defense of unconsciousness (Calif. Pen.  
18 Code § 26(5))./ Comment was harmless beyond a reasonable doubt  
19 (RT 259-262)

20 The conclusion of harmlessness is fortified by the  
21 instruction, CALJIC 51 (Revised), which is only partially re-  
22 flected in Chapman at footnote 2. The instruction continues  
23 and contains cautionary material (CST 44). It tells the jury  
24 that if a defendant does not have knowledge he would need to  
25 deny or explain, it would be unreasonable to draw an inference  
26 against him. What more perfect case for the application of  
27 such a qualification than where the sole defense is the



1 suggestion of unconsciousness - the defendant is unconscious  
2 of what transpired? This is not the circumstantial case re-  
3 presented by Chapman where Mrs. Chapman was arrested not at  
4 the scene as was appellee in this case, but in St. Joseph,  
5 Missouri, and where a critical question requiring explanation  
6 was the alleged bus ride from Ukiah (see People v. Teale, 63  
7 Cal.2d 178, 185). There is no possibility that comment could  
8 have any prejudicial effect under this instruction because  
9 the facts were direct, precise, and uncontroverted. On the  
10 facts of this case, if the defense of unconsciousness were  
11 accepted, no inference could be drawn. The same rationale  
12 logically applies to the sanity phase of the trial. Moreover,  
13 the instruction also informs the jury that the failure to  
14 explain or deny does not create a presumption of guilt or by  
15 itself warrant an inference of guilt, nor does it relieve the  
16 prosecution of its burden (elsewhere explained (CST 5-6) of  
17 proving every essential element of the crime and the guilt of  
18 the defendant beyond a reasonable doubt. The adjuration is  
19 repeated that no lack of testimony on defendant's part will  
20 supply a failure of proof by the People (CST 44). Also,  
21 elsewhere, the jury was instructed that if the evidence was  
22 susceptible of two interpretations, each reasonable, one  
23 pointing to guilt, the other to innocence, it was the jury's  
24 duty under the law to adopt that interpretation which will  
25 admit of innocence, rejecting that of guilt (CST 31).

26           The conclusion that error was harmless beyond a reason-





1 able doubt is equally clear respecting the defense. The  
2 defense introduced the testimony of three psychiatrists, who  
3 had examined appellee two years previously for a different  
4 purpose. They stated that appellee had a form of epilepsy  
5 in 1960 (RT 338, 362, 407). Defense counsel contended that  
6 this evidence showed continued epilepsy two years later on  
7 the dates in question because epilepsy is incurable (RT 269,  
8 625). One of appellee's own psychiatrists specifically stated  
9 however, that he had no knowledge whether appellee was in a  
10 seizure of any type on the dates in question (RT 352). Another  
11 defense psychiatrist testified that the condition was activate  
12 by drinking (RT 407), but this was contradicted by the defense  
13 itself when it introduced the testimony of a girl who went  
14 out for a drink with appellee in August of 1962, but appellee  
15 did nothing to her (RT 463<sup>2/</sup>). The People in rebuttal intro-  
16 duced the testimony of the Medical Director of the County  
17 Facilities of Correction, appointed by the Court, who found no  
18 evidence of epilepsy in September 1962, the time in question  
19 (CT 15, RT 551-6). He stated also that appellee had three  
20 times refused to submit to an electroencephalogram although  
21 appellee had undergone these tests four times in years

22 \_\_\_\_\_

23 <sup>2/</sup> This evidence was apparently adduced to preclude  
24 a voluntary intoxication argument (RT 465).

25

26

27



1 previous. <sup>3/</sup>

2 Other evidence demonstrates that the possibility of  
3 unconsciousness as a defense evaporated into inherent in-  
4 credibility in this case. Appellee not only had previously  
5 admitted that he had never suffered epilepsy or blackouts,  
6 RT 498, but he also had previously stated that he had influenc  
7 and manipulated psychiatric testimony before a court and that  
8 prescriptions of dilantin got him out of serious police troubl  
9 (RT 600-601). Uncontradicted was the testimony in rebuttal of  
10 Dr. Hunter Brown, a neuro-surgeon, that an epileptic seizure i  
11 evidenced by the victim's loss of recall for the experience  
12 (RT 653). Appellee's conduct on the day in question, from  
13 his introduction to the victim under a false name, the invita-  
14 tion to a house falsely described as his own, the conduct  
15 at the home resulting in the crimes charged, his recital of  
16 past and future events, and his order not to tell others  
17 about the events were a total negation of an epileptic conditi  
18 on August 18 and 19, 1962 (RT 660-661). Dr. Brown stated it  
19 would be impossible for a person to be, at that time, in a  
20 state of epileptic seizure (RT 657-658).

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21 <sup>3/</sup> Three of the four previous tests reflected normal  
22 records (RT 514-516). The fourth test consisted of two reading  
23 the second of which was within normal limits (RT 637). The  
24 first reading only suggested "spiking" which is only sometimes  
25 associated with psychomotor epilepsy (RT 640-642). It could  
26 not be said that the person on whom the reading was taken had  
27 any form of epilepsy. Hyperventilation, a method of deep  
28 breathing utilized to produce latent deviations, failed to  
29 produce such results (RT 643-644).



1           Thus, although defense evidence standing alone may  
2 have suggested the barest possibility of unconsciousness as  
3 a defense, the evidence in rebuttal completely established  
4 its futility to the point of demonstration. Apart from the  
5 comment in this case, no reasoning juror could have reached  
6 a contrary result. The comment served to heighten the pro-  
7 secution's case not one iota. In a word, it was superfluous.

8           No defense evidence related to the year in question,  
9 much less the dates in question. Assuming that we are dealing  
10 with honest, fair-minded jurors who consider the evidence and  
11 the instructions, there is no possibility, no reasonable  
12 possibility, of a result more favorable to petitioner in the  
13 absence of the constitutionally forbidden comment. It can be  
14 declared beyond a reasonable doubt, that comment on appellee's  
15 failure to testify was harmless. In this case, the "benefit"  
16 found by the Supreme Court to exist in harmless error rules ma  
17 properly be invoked for they " . . . serve a useful purpose  
18 insofar as they block the setting aside convictions for small  
19 errors or defects that have little, if any, liklihood of havin  
20 changed the result of the trial. . . . " Chapman v. California  
21 386 U.S. 18, 22.

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1                                    CONCLUSION

2                    For the foregoing reasons, appellant respectfully  
3 submits that the ruling of the District Court herein should  
4 be reversed.

5                                    Respectfully submitted,

6                                    THOMAS C. LYNCH  
7                                    Attorney General

8                                    DORIS H. MAIER  
9                                    Assistant Attorney General


10                                  ARNOLD O. OVEROYE  
11                                  Deputy Attorney General  
12                                  Attorneys for Appellant



CERTIFICATE

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I certify that in connection with the preparation of this brief I have examined Rules 18, 19 and 39 of the United States Court of Appeals for the Ninth Circuit and that in my opinion the foregoing brief is in full compliance with those rules.

  
ARNOLD O. OVEROYE



No. 22591

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IN THE UNITED STATES COURT OF APPEALS  
FOR THE NINTH CIRCUIT

---

No. 22591 ✓

THOMAS FRED WALLACE and NORMA MAY  
WALLACE, husband and wife, Appellants,

v.

EMPLOYERS CASUALTY COMPANY, Appellee.

---

APPEAL FROM THE UNITED STATES DISTRICT COURT  
FOR THE DISTRICT OF ARIZONA

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OPENING BRIEF FOR APPELLANTS

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Attorneys for Appellants

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JAMES H. HICKS, CLERK





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IN THE  
UNITED STATES COURT OF APPEALS  
FOR THE NINTH CIRCUIT

---

No. 22591

---

OPENING BRIEF FOR APPELLANTS

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STATEMENT OF PLEADINGS AND FACTS

Thomas Fred Wallace and Norma May Wallace, plaintiffs below, appeal from the Judgment of the United States District Court for the District of Arizona entered the 29th day of November, 1967, the Honorable Walter E. Craig presiding, granting the motion for summary judgment filed herein by defendants, and dismissing plaintiffs' complaint [TR 46].

Notice of appeal and cost bond on appeal were filed on December 21, 1967 [TR 47-48] and this Court has jurisdiction by virtue of 28 U.S.C.A. § 1291.

This action is a sequel to a previous action in the Superior Court of the State of Arizona in and for the County of Maricopa wherein the plaintiffs, appellants herein, sued to recover damages as a result of injuries sustained by them in an automobile accident occurring on the 3rd day of August, 1964, and caused





by the negligent operation of a certain 1957 Chevrolet automobile by one Kenneth Russell Lewis. Plaintiffs below instituted this action in the United States District Court to recover the unpaid balance of a judgment rendered in the State Court action on the 25th day of January, 1967, in favor of plaintiffs and against defendants Kenneth Russell Lewis and Joe F. Potts and Bonnie Potts. Defendant's liability is based upon a policy of liability insurance issued by them to one Nelson Olson doing business as Olson Motors, which policy covered the use of the 1957 Chevrolet automobile by Kenneth Russell Lewis as a permissive user under an omnibus clause in the policy as required by A.R.S. § 28-1170(B)2, at the time of the collision. The District Court had jurisdiction by virtue of 28 U.S.C.A. 1332.

Summary judgment was subsequently entered in favor of the defendant. It is plaintiffs' position that the summary judgment entered herein should be reversed and remanded with directions to enter judgment for the plaintiffs because the vendor of a motor vehicle is deemed the owner of the motor vehicle and the vendee is deemed to be operating the vehicle with the permission of the vendor for purposes of the omnibus coverage



in a public liability policy, after the sale of a motor vehicle, but prior to compliance with the formalities of the Arizona Motor Vehicle Code, A.R.S. § 28-314, regarding the transfer of title and reregistration of motor vehicles.

#### STATEMENT OF THE CASE

Thomas Fred Wallace and Norma May Wallace, appellants in this action, were also plaintiffs in a suit filed with the Superior Court of the State of Arizona, in and for the County of Maricopa, being Cause No. 166356 in the said court. The Wallaces sought to recover damages as a result of an automobile accident occurring on or about August 3, 1964, when a 1957 Chevrolet being driven by one Kenneth Russell Lewis on State Highway 89, Yavapai County, Arizona, collided with an automobile being driven by Thomas Fred Wallace and in which Norma May Wallace was a passenger [TR 16-18]. The 1957 Chevrolet had been taken in by Olson Motors of Williams, Arizona, from a Mr. Jack Dent in trade for a new car. Thereafter, the 1957 Chevrolet was sold by Olson Motors on July 30, 1964, to one Douglas Ezell, manager of the Potts Motor Company of Phoenix, Arizona.



[Deposition of Robert Y. Stokan p. 17; TR 24]. Four days later, on August 3, 1964, the day of the accident, Lewis, who had been hired by Ezell and acting within the course and scope of his employment, picked the subject automobile up at Olson Motors in Williams, and was at the time of the accident transporting the vehicle to the Phoenix place of business of the Potts Motor Company [TR 24].

The purchase of the subject vehicle had been paid for with a sight draft drawn on the account of Ezell, and upon presentation the sight draft was paid in the amount of \$650 [TR 25]. However, the certificate of registration and title to the subject 1957 Chevrolet was never actually signed over to either Douglas Ezell or the Potts Motor Company, as required by Arizona Revised Statutes § 28-314(A)\* / [TR 25].

Thomas Fred Wallace and Norma May Wallace, instituted the prior state court action against defendants, Lewis, Potts and Ezell on the 18th day of September, 1964, in the Maricopa County Superior Court. Notice of the pendency of this lawsuit, together with a demand that it be defended by Employers Casualty Company, was

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\* / See Appendix A-1



given to both Olson Motors and Employers Casualty Company on or about March 2, 1966 [TR 39]; however, the suit was not defended by Employers Casualty Company. The matter was subsequently tried before the Maricopa County Superior Court, and plaintiffs in this action obtained a verdict for their damages against Lewis and Potts in the amount of \$50,000. Judgment thereon was subsequently entered on the 25th day of January, 1967 [TR 17, 20].

Subsequently, and on or about the 2nd day of March, 1967, the present action was instituted by Thomas Fred Wallace and Norma May Wallace, plaintiffs, against Employers Casualty Company, defendant, in the United States District Court for the District of Arizona. Plaintiffs' complaint alleged that prior to the 3rd day of August, 1964, the defendant, Employers Casualty Company, had issued to Nelson Olson, doing business as Olson Motors, a liability insurance policy, and further alleged that said insurance policy covered the use of the said automobile by Kenneth Russell Lewis on the 3rd day of August, 1964, by virtue of the inclusion therein of an omnibus clause as required by A.R.S. § 28-1170(B)2<sup>\*/</sup> [TR 16-18]. Defendant's answer

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<sup>\*/</sup> See Appendix A-2





admits that defendant had issued to Nelson Olson, doing business as Olson Motors, an automobile dealer's liability policy of insurance, but expressly denies that said policy covered the use of the 1957 Chevrolet automobile by Kenneth Russell Lewis under the circumstances [TR 19-22].

Subsequently, both plaintiffs and defendant moved for summary judgment [TR 23, TR 31]. The only question presented was whether the vendor of a motor vehicle is still deemed the owner of the vehicle and the vendee deemed to be operating the vehicle with his permission for purposes of the omnibus coverage in a public liability policy, after the sale of a motor vehicle, but prior to compliance with the formalities of the Arizona Motor Vehicle Code, A.R.S. § 28-314 regarding the transfer of title and reregistration of motor vehicles. The court granted defendant's motion for summary judgment and judgment for the defendant was entered on the 29th day of November, 1967 [TR 46].



## SPECIFICATION OF ERROR

The District Court erred in holding as a matter of law that the vendor's motor vehicle liability coverage did not extend to the buyer as a permissive user under the omnibus clause of the vendor's liability insurance policy where the vendor failed to transfer title upon the sale of a motor vehicle in violation of A.R.S. § 28-314.

## A R G U M E N T

### AUTOMOBILE DEALER'S PUBLIC LIABILITY POLICY CONTINUES IN FORCE COVERING AUTOMOBILE UNTIL SALE OF AUTOMOBILE IS CONSUMMATED BY COMPLIANCE WITH THE REGULATIONS GOVERNING THE TRANSFER OF THE CERTIFICATE OF TITLE

The central issue in this case is whether or not failure to transfer title upon the sale of a motor vehicle, in violation of the applicable statute, in this case A.R.S. § 28-314, operates to extend the vendor's liability coverage to the buyer under the omnibus clause of the vendor's liability policy. The courts have consistently answered this question in the affirmative.

In *U.S. Fidelity & Guaranty Corp. v. Myers Motors*, 143 F. Supp. 96 (D.C. Va. 1956), a vehicle was sold and



delivered to the purchaser; however, the financing was still unsettled and the certificate of title had not yet been endorsed by the sales agency and delivered to the purchaser. The Virginia Motor Vehicle Registration Law (which is similar to the Arizona statute) required that the seller endorse the title on the reverse side and deliver it to the purchaser. A full month after delivery of the vehicle the purchaser was in an accident. The court held that even though the sale of an automobile would have constituted a completed sale but for the Virginia Certificate of Title Law, failure to comply with that law's requirements as to transfer of certificate of title resulted in legal title remaining in seller; and the public liability garage policy insuring the seller against claims arising out of the ownership of any automobile in connection with its automobile dealership, would cover claims arising out of accident of which buyer became involved. The following language of that decision is applicable to the case at bar.

"Upon the facts found, it is my conclusion that, but for the Certificate of Title law, the transaction between Harris and Myers constituted a completed sale and all ownership of the 1952 Mercury would





have passed from Myers Motors Inc., to Harris. However, under the Virginia Certificate of Title law, before legal title to an automobile can be transferred in Virginia, the owner is required to endorse an Assignment and Warranty of Title upon the reverse side of the Certificate of Title and deliver to the Purchaser at the time of the delivery of the vehicle. Section 46-84. Section 45-85 requires the purchaser to immediately forward the Certificate, so endorsed, to the Division of Motor Vehicles, and it is made a penal offense not to comply with these requirements.

Shortly after its enactment the Certificate of Title law, in its application to a situation substantially similar to the one here, came before the Supreme Court of Appeals in Virginia, for construction in *Thomas v. Mullens*, 153 Va. 383, 149 S.W. 494, 497. Noting that the Certificate of Title law 'is essentially a police protection of the public, and its provisions are mandatory in their terms', the court held that the Certificate of Title law, not having been complied with, '. . . then the contract of sale was merely executory and not executed' . . . .

It must be conceded that, if the transaction here under consideration was merely an executory contract of sale, then 'ownership' of the 1952 Mercury automobile remained in Myers Motors, Inc., the insured . . . .

To me, the conclusion seems inescapable that the doctrine of *Thomas v. Mullens*, supra, controls the decision of this case. Undoubtedly, Harris, as the vendee in an executory contract of sale, acquired some rights, but it is my conclusion that, as the certificate of title law was not complied with, the legal title to the automobile in question remained in Myers Motors,



Inc. That being true, its 'ownership' remained in Myers Motors, Inc., the insured, subject only to such rights as Harris might have as vendee in an executory contract of sale.

It follows that a judgment will be entered declaring that the policy of insurance here in controversy covers any liability which may result from the collision in which Harris was involved.  
. . . ."

The rule in California is to the same effect, and until the formalities required by the California Vehicle Code are met, the vendor of a motor vehicle is still deemed the owner of the vehicle and the vendee is driving with his permission for purposes of the omnibus coverage in a public liability policy, see *Harbor Ins. Co. v. Paulson*, 135 Cal. App. 2d 22, 286 P.2d 870 (1955), a leading case in point. See also, *Traders & General Ins. Co. v. Pacific Employers' Ins. Co.*, 130 Cal. App. 2d 158, 278 P.2d 493 (1955).

"[B]ut the rule is now well settled that a conditional vendor is considered the owner of a vehicle and the conditional vendee is held to be the operator with permission of the owner where the vendor delivers possession to the vendee and fails to comply with § 177 with reference to giving notice of the transfer prior to the occurrence of the accident."  
(278 P.2d at 496)



*Votaw v. Farmers A. Inter-Ins. Exch.*,  
15 Cal. 2d 24, 97 P.2d 958;

*Sly v. American Indemnity Co.*,  
127 Cal. App. 202, 15 P.2d 522; and

*Stoddard v. Maines*, 337 P.2d 855 (1959) [where the automobile dealer failed to give notice of an automobile transferred under a conditional sales contract not later than the date of the dealer's next business day, such failure deprived the dealer of exemption from liability, and the dealer was liable for the negligence of the conditional vendee in the operation of the vehicle which had not been previously registered in the conditional vendee's name].

*Allstate Ins. Co. v. Hartford Accident & Indemn. Co.*, 311 S.W.2d 41 (Mo. 1958), involved an action by automobile buyer's liability insurer against the seller's liability insurer to recover an amount paid in satisfaction of a judgment obtained against buyer by third parties. It was held by the Missouri Court that (a) under a liability policy covering the ownership, maintenance, or use of premises for purpose of automobile dealer and operations incidental thereto, and defining "insured" as including persons using the automobile with permission of the dealer as the named insured,





and (b) where the sale of the automobile had been agreed on and the automobile itself delivered, but title had not passed at the time of the accident because the statutory requirements had not yet been complied with, (c) buyer was operating with "permission" of dealer and hence accident was covered by dealer's policy.

In another leading decision, *Eggerding v. Bicknell*, 20 N.J. 106, 118 A.2d 820 (1955), it was squarely held by the New Jersey Court that an automobile dealer which had yet to transfer title to one of its vehicles in accordance with the statutory procedure was still the owner thereof for purposes of insurance coverage under the terms of its policy. [It should be noted that the dealer in *Eggerding* had assigned the certificate of title in blank in the same manner as the dealer in this case.] In holding that a failure to comply with the statute operates to extend insurance coverage to damages done by the buyer, the court went on to note as a matter of public policy that an automobile liability insurance contract is to be liberally construed for protection not only of the named insured but also of innocent persons injured by the negligent operation of an insured automobile along a public highway.





Under a very strong Ohio statute the same results obtain. In *Farm Bureau Mutual Automobile Ins. Co. v. Motorists Mutual Ins. Co.*, 110 Ohio App. 12, 168 N.E.2d 159 (1957), it was held that where the purchaser of automobile collided with another automobile nearly 4 months after the purchase, and after the dealer had assigned title to purchaser but before purchaser signed application for title as required by Ohio law, the automobile dealer was the owner of the automobile within its public liability policy and the automobile was used in connection with dealer's operation within its policy and dealer's insurer was therefore primarily liable on claim against the purchaser.

"The trial court held, and we are in accord, that the use of the automobile by the purchaser with the dealer's permission until title had passed, in conformity with the Ohio Certificate of Title law, would be a use incident to and in connection with the assured's operation of the business as a dealer."

(168 N.E.2d 162)

*Nationwide Mutual Ins. Co. v. Motorists Mutual Ins. Co.*, 1160 Ohio App. 22, 186 N.E.2d 208 (1961), involving an action between two insurers for a declaratory judgment as to their liability for any damages that might be recovered in an action pending against a certain individual,



held that liability coverage on an automobile under a garage policy issued to an automobile dealer which sold the automobile and immediately delivered it to purchaser continued, under statute pertaining to transfer of title until a certificate of title on the automobile was issued to the purchaser even though purchaser had made full payment of the agreed price. See also, *Wheeler v. State Farm Mutual Auto Ins. Co.*, 183 N.E.2d 244 (Ohio App. 1962).

Clearly strong considerations of public policy permeate this area. An automobile liability policy is liberally construed for the protection not only of the named insured but of third persons who may be sued by reason of the operation of the vehicle concerned. In *Maryland Casualty Co. v. American Family Ins. Group of Madison, Wisconsin*, 199 Kan. 273, 423 P.2d 931 (1967), it was held under a Kansas statute making it unlawful to sell a registered vehicle without assigning the certificate of title and making any such sale fraudulent and void, that public policy required that the statute making it unlawful to sell registered vehicles without assigning the certificate of title should be liberally enforced for the protection of third persons who suffer injury from the hands of a buyer who obtains possession



and control of the automobile from the seller.

The same policy considerations apply under Arizona law. In *Schechter v. Killingsworth*, 93 Ariz. 273, 380 P.2d 136 (1963) [holding Arizona Financial Responsibility Act constitutional]; and *Jenkins v. Mayflower Ins. Exch.*, 93 Ariz. 287, 380 P.2d 145 (1963) [holding the omnibus clause prescribed in Financial Responsibility Act to be a part of every motor vehicle liability policy as a matter of law], the principal purpose of the Arizona Legislature in requiring an omnibus clause as a portion of the State's Financial Responsibility Act was held to be:

"[T]he protection of the public using the highways from financial hardships which may result from the use of automobiles by financially irresponsible persons . . . the providing of security against uncompensated damages arising from operation of motor vehicles on our highways."

*Schechter v. Killingsworth*, *supra*,  
380 P.2d at 140; and

*Jenkins v. Mayflower Ins. Exch.*, *supra*,  
380 P.2d at 147.

See also *Votaw v. Farmers Automobile Inter Ins. Exch.*, *supra*, *Eggerding v. Bicknell*, *supra*, and *Harbor Ins. Co. v. Paulson*, *supra*.





It follows therefore that the citation of cases dealing with the sale of motor vehicles generally but not concerned with public liability coverage offers no persuasive guide or precedent in this case. The cases above cited universally distinguish between the rights of buyer and seller, between themselves as a matter of sales law, and the rights of innocent third persons against the vendor's insurance carrier as a matter of insurance law. Compare generally, *Civil Service Employers Ins. Co. v. Wilson*, 25 Cal. Rptr. 304, with *Harbor v. Paulson*, *supra*. Likewise, the line of cases so ably distinguished by the court in *Harbor v. Paulson*, *supra*, is likewise inapplicable to the facts in this case since no failure to comply with the title statutes was presented in those cases.

Clearly the decisions cited above represent the overwhelming weight of modern authority in the fact situation at bar. It follows therefore that the legal result of the vendor's failure to reregister title to the subject vehicle in accordance with the applicable statute upon the sale of the vehicle, is that the buyer must be held to have operated the vehicle with the permission of the vendor. The defendant's liability policy



therefore inured to the benefit of the plaintiffs at the time of the accident between the buyer's agent, Lewis, and the plaintiffs.

C O N C L U S I O N

For the reasons above stated, plaintiffs respectfully submit that the trial court erred as a matter of law in granting summary judgment to the defendant and plaintiffs respectfully request that the judgment of the District Court herein be reversed and remanded with instructions to enter judgment for the plaintiffs.

Respectfully submitted,

GOLDMAN & RIPPS

By /s/ Charles H. Ripps  
Charles H. Ripps

1120 Arizona Title Building  
Phoenix, Arizona 85003

Attorneys for Appellants



CERTIFICATE

I certify that, in connection with the preparation of this brief, I have examined Rules 18, 19 and 39 of the United States Court of Appeals for the Ninth Circuit, and that, in my opinion, the foregoing brief is in full compliance with those rules.

/s/ Charles H. Ripps

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Charles H. Ripps

AFFIDAVIT OF SERVICE BY MAIL

CHARLES H. RIPPS, being duly sworn, says that he deposited three (3) copies of the foregoing Opening Brief for Appellants in final printed form in the United States post office in the City of Phoenix, State of Arizona, enclosed in an envelope duly addressed to Mr. Ralph Hunsaker, O'Connor, Cavanagh, Anderson, Westover, Killingsworth & Beshears, 1800 First Federal Building, Phoenix, Arizona 85012, with postage fully prepaid; he further states that he deposited twenty (20) copies in the United States post office in the City of Phoenix, State of Arizona, duly addressed to the Office of the Clerk, U. S. Court of Appeals for the Ninth Circuit, San Francisco, California 94101.

Both mailings were made on the 8th day of May, 1968.

/s/ Charles H. Ripps

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Charles H. Ripps

Subscribed and sworn to  
before me this 8th day of  
May, 1968

[SEAL]

/s/ Catherine F. Howard

My commission expires  
September 29, 1971

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Notary Public



A P P E N D I X

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Appendix





ARIZONA REVISED STATUTES

§ 28-314. Transfer of title; reregistration

A. When the owner of a registered vehicle transfers or assigns his title or interest thereto, the registration of the vehicle shall expire, but the number plates assigned to the vehicle shall remain thereon. Upon the transfer or assignment, the owner shall remove the registration card issued for the vehicle and endorse upon the reverse side thereof the name and address of the transferee and the date of transfer, and shall immediately forward the card to the vehicle division. The owner shall also endorse on the back of the certificate of title to the vehicle, if issued, any assignment thereof, with the warranty of title in the form printed thereon, and shall deliver the certificate to the purchaser or transferee at the time of delivery to him of the motor vehicle, except as provided in § 28-323. The purchaser or transferee, except as provided in § 28-315, within ten days after the transfer shall apply for and obtain the registration of the vehicle by presenting the certificate of title thereto to the vehicle division, accompanied by the required fee, whereupon a new certificate of title shall be issued to the purchaser or transferee.



§ 28-1170. "Motor vehicle liability policy" defined

A. . . . .

B. The owner's policy of liability insurance must comply with the following requirements:

1. . . . .

2. It shall insure the person named therein and any other person, as insured, using the motor vehicle or motor vehicles with the express or implied permission of the named insured, against loss from the liability imposed by law for damages arising out of the ownership, maintenance or use of the motor vehicle or motor vehicles within the United States or the Dominion of Canada, subject to limits exclusive of interest and costs, with respect to each motor vehicle . . . .



No. 22591

In the

United States Court of Appeals

*For the Ninth Circuit*

THOMAS FRED WALLACE and NORMA MAY  
WALLACE, husband and wife,

*Appellants,*

vs.

EMPLOYERS CASUALTY COMPANY,

*Appellee.*

Opening Brief for Appellee

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*Appellee.*

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## Opening Brief for Appellee

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### FACTS

For ease of reference throughout this brief, the letters Tr. will be used for the Transcript and the parties will be referred to by their designation below, that is, Thomas Fred Wallace and Norma May Wallace will be referred to as plaintiffs and Employers Casualty Company will be referred to as defendant.

The facts are brief and there is no factual issue and the parties below agreed on the facts so that the propriety of the District Court in entering summary judgment in this matter is not in question.

Plaintiffs Thomas Fred Wallace and Norma May Wallace filed an action in the Maricopa County Court, State of Arizona, being Cause No. 166356. In that action they sought damages as a result of an automobile accident occurring August 3, 1964. The accident occurred on Highway 89 in the State of Arizona in Yavapai County. This highway runs from Williams, Arizona to Phoenix, Arizona.

At the time of the accident a 1957 Chevrolet, then and there being driven by Kenneth Russell Lewis, collided with the Wallace vehicle being driven by Thomas Fred Wallace. In the State Court action, Olson Motors of Williams, Arizona was not made a party. The complaint alleged that the driver of the 1957 automobile, Kenneth Russell Lewis, was acting within the course and scope of his employment with Potts Motor Company of Phoenix, Arizona. In the State Court action judgment was rendered in favor of Mr. and Mrs. Wallace and against the various defendants in that suit. At the time of the judgment Employers Casualty Company had issued to Olson Motors of Williams, Arizona, a policy of insurance. It is plaintiffs' claim that said policy covered Kenneth Russell Lewis while he was operating the 1957 Chevrolet automobile. It is the position of defendant, Employers Casualty Company, that the policy of insurance was not applicable since the car had been sold and an executed sale had taken place. It is the defendant's position that Olson Motors no longer owned the vehicle nor did they give or have any right to give or refuse the permission to Kenneth Russell Lewis to drive the 1957 Chevrolet automobile.

Through the deposition of Mr. Robert Stokan, the manager of Olson Motors, the following facts were established: The 1957 Chevrolet had been taken in from Mr. Jack Dent on trade for a new car by Olson Motors. Thereafter it was sold to a Douglas Ezell by Olson Motors. Among the duties

of Mr. Stokan was the sale of used cars including wholesale. Mr. Stokan had been with Olson Motors since 1960 and in line of authority was directly under Mr. Olson, the owner. After the sale of the car, Kenneth Russell Lewis, acting for and on behalf of Douglas Ezell and Potts Motors, picked up the car at Olson Motors' lot in Williams, Arizona, and was driving it to Phoenix. It was while he was on his way to Phoenix with the vehicle that the accident occurred.

Stokan further testified that the 1957 Chevrolet had been sold to Douglas Ezell and that neither he nor Olson Motors had ever employed Kenneth Russell Lewis nor given him any directions as to the driving of the vehicle. Stokan further testified in his deposition that it was the intent of Olson Motors and himself that the car had been sold and Kenneth Russell Lewis was picking it up for the new owner, Douglas Ezell. He further testified that Olson Motors was paid for the car and actually received the money for it. (Pg. 36-41 of his deposition.) The payment for the car was with a sight draft and upon presentation of this sight draft, \$650 in cash was paid to Olson Motors. The money was actually deposited in the account of Olson Motors and all of the bookkeeping records and entries evidencing this transaction were marked at the deposition of Mr. Stokan as exhibits.

It was established in the deposition of Mary Cross who is employed by the Arizona Highway Department, Motor Vehicle Division, as supervisor of titles and records, that on the day of the accident the certificate of registration and title had not been signed over to Douglas Ezell.

The policy in question provided as follows:

"To pay on behalf of the insured all sums which the insured shall become legally obligated to pay as damages because of bodily injury, sickness or disease, including death at any time resulting therefrom, sustained by any person, caused by accident *and arising out of the ownership, maintenance or use of any automobile.*" (Emphasis supplied)



It is the position of the defendant that under Arizona law pertaining to the sale of automobiles, ownership had been conveyed under an executed contract of sale to Douglas Ezell and therefore the policy of insurance in question did not operate to provide coverage for the automobile in question.

It is the position of the plaintiffs that the sale had not been consummated and that the driver Kenneth Russell Lewis was an omnibus insured under the policy of insurance issued by defendant to Olson Motors.

### ARGUMENT

Plaintiffs have cited in their brief, several cases from other jurisdictions dealing with the law in those jurisdictions relating to the transfer of automobile titles. Too well established to even require a citation is the proposition of law that a Federal Court is obligated to follow State law with respect to matters of substantive law as opposed to procedure. This rule was, of course, established in the case of *Erie Railroad Company v. Thompkins*, 304 U.S. 64, 82 L.Ed. 1188. For this reason it is the feeling of the defendant that Arizona law controls the question before this court at this time and that this court would be obligated to follow and apply the Arizona case law with respect to this situation.

Arizona in 1927, in the Fourth Special Session of the Legislature passed what is now A.R.S. 28-314 reading as follows:

“A. When the owner of a registered vehicle transfers or assigns his title or interest thereto, the registration of the vehicle shall expire, but the number plates assigned to the vehicle shall remain thereon. Upon the transfer or assignment, the owner shall remove the registration card issued for the vehicle and endorse upon the reverse side thereof the name and address of

the transferee and the date of transfer, and shall immediately forward the card to the vehicle division. The owner shall also endorse on the back of the certificate of title to the vehicle, if issued, any assignment thereof, with the warranty of title in the form printed thereon, and shall deliver the certificate to the purchaser or transferee at the time of delivery to him of the motor vehicle, except as provided in § 28-323. The purchaser or transferee, except as provided in § 28-315, within ten days after the transfer shall apply for and obtain the registration of the vehicle by presenting the certificate of title thereto to the vehicle division, accompanied by the required fee, whereupon a new certificate of title shall be issued to the purchaser or transferee."

Following the adoption of this provision, at least three cases have ruled on the effect of this provision. They are *Stephens-Franklin Motors, Inc. v. Lambros*, 71 Ariz. 389, 228 P.2d 267, and *Patterson Motors, Inc. v. Cortez*, 2 Ariz. App. 298, 408 P.2d 231, and the most recent case being *Price v. Universal C.I.T. Credit Corp.*, 102 Ariz. 227, 427 P.2d 919.

In the first of these three cases, the buyer purchased an automobile paying therefor on the date of the sale. Thereafter the seller performed certain repairs and the buyer took and accepted immediate possession and delivery of the vehicle on the date of the sale. Thereafter there developed a long course of breakdowns and repairs on the vehicle. Suit was filed against the seller claiming that the buyer was entitled to receive damages by reason of the vehicle not comporting with certain representations. The defendant dealer raised an issue that the car was not sold at the time that the problems developed since the date of the sale negotiation was August 23, 1946, and the certificate of title and warranty was not mailed until September 11, 1946. The court held:



“There is no merit to defendant’s contention that this was an executory sale. In this case the sale negotiations took place August 23, 1946. The buyer on that day paid for the car and after the seller performed certain repairs, took and accepted immediate delivery. *The actual delivery of the goods is of the greatest importance in showing the intention of the parties to pass title and it is accordingly a general rule that in absence of contrary agreement, the delivery and acceptance of the property vests the title in the buyer.* 46 Am.Jur., Sales, § 433. *We therefore think it clear from the facts at hand this was an executed sale completed on August 23, 1946.*” (Emphasis supplied)

In the second of these three cases, the plaintiff, as a dealer of new and used automobiles, had delivered to another dealer three vehicles, title to which was to pass when Patterson’s bank drafts were accepted and honored, Patterson being the buyer. The drafts were never paid and in the meantime the vehicles were sold to third party purchasers. The court in deciding the appeal of this case referred specifically to 28-314(a) and quoted the same. The court had before it the question of whether or not this statute had revoked the doctrine of equitable estoppel of the Uniform Sales Act. It held that it did not since the statute did not provide any penalties for non-compliance. Therefore, the court in effect held that even in the absence of complete compliance with the statute regarding re-registration of the vehicle, there may still be a completed sale. From the foregoing it is clear that the act of physical delivery of the possession of the vehicle is of great importance in Arizona. In the instant appeal, it is undisputed and in fact agreed that the physical delivery of the vehicle had taken place. In the plaintiffs’ memorandum in opposition to defendant’s Motion for Summary Judgment below, plaintiffs stated that

Olson Motors Company of Williams, Arizona "sold the motor vehicle to one Douglas Ezell, receiving payment and delivering possession."

The latter of these three cases is the most recent and involves a fairly complicated fact situation. Briefly, the facts are as follows:

Price advanced money to a man named Daymus for the purchase of automobiles to be sold in a used car lot operated by Daymus. As security for the advance of the money, Price held the title, endorsed in blank by the seller, to each car purchased. Daymus sold two cars to two separate people and obtained conditional sales contracts for the purchase price. These conditional sales contracts were then sold to C.I.T. for cash and the purchasers were notified to make their payments to C.I.T. The seller, Daymus, however, took the money from C.I.T. but failed to pay Price and then became bankrupt. Price sent the blank title to the Motor Vehicle Department but rather than having them issued in the name of the purchasers, had them reissued in his name. Many of the issues decided by the Supreme Court at that time are not applicable, however, the issue as to when a sale had taken place was decided as follows:

"Appellant also argues that ownership of an automobile can be transferred only by compliance with the statutes of the State of Arizona, and can be established only through the documentary evidence prescribed thereby. He construes *Pacific Finance Company v. Gherna*, *supra*, to mean that a certificate of title must be transferred and assigned, to effect a valid sale, and that therefore the sales of the automobiles in the instant case were 'void ab initio.' "

In pointing out the fallacy of this argument, the court said:

"The trial court found that it was the custom for automobile dealers in Phoenix to handle the paper work

and forward title certificates to the Motor Vehicle Division for transfer. If appellant's argument is correct, then nearly all of the sales of cars in Phoenix are 'void ab initio.' "

The court then went on to quote from *Associates Discount Corp. v. Hardesty*, 74 App.D.C. 44, 122 F.2d 18, a United States Court of Appeals case for the District of Columbia, where that court construes the statutes similar to the statute in the State of Arizona, and stated:

"The only sanction \* \* \* is that the purchaser cannot use the automobile on the highways \* \* \*. The statute provides only that the 'owner' shall first obtain a certificate. But it nowhere provides that he is any less the owner because he fails to do so."

Based on this reasoning, our Supreme Court in the State of Arizona then concluded:

"We conclude, therefore, that the buyers from Daymus acquired good title \* \* \*. Acceptance of this conclusion carries with it a determination that the buyers had the right and the ability to transfer good title to the vehicles \* \* \*."

Applying the law of the State of Arizona with respect to sales of vehicles, it is respectfully submitted that no other finding can be made than that an executed sale had occurred at the time of the accident in question, and Olson Motors, the insured of this defendant, no longer owned the vehicle in question. Not owning the vehicle then, there could be no insurance applicable to it, since the vehicle was not either owned, maintained or used by the insured. Furthermore, not owning the vehicle, there was no right to grant permission to drive it or to deny permission to drive it, which is pointed out in cases cited later in this brief. The new owner had taken delivery of the vehicle and could use it as he saw fit.

It is not thought necessary to proceed further since defendant feels that this disposes of the matter. However, since plaintiffs have cited many cases in support of their position, defendant would comment only briefly with respect to that position.

Defendant agrees that there is authority which would support the plaintiffs' position were the lawsuit to be brought in the states from which that authority came. However, defendant only wishes to point out that each of those cases was construing a statute peculiar to that jurisdiction. There are other jurisdictions which support the position of the defendant in this case, and without being too lengthy, these cases are as follows :

*Olin Mathieson Chemical Corp. v. Southwest Casualty Co.*, 149 F.Supp. 600. This case came from Arkansas and held that a conditional buyer does not use the vehicle with the permission of the conditional seller and so is not covered by the omnibus clause of an insurance policy even though the registration statute had not been complied with. This case contains an outstanding discussion of the law with respect to the situation at hand. The question before the court at that time was as follows :

“Thus the primary question before the Court is whether Lester was using the truck with the permission of the named insured, Meshell, and interrelated with this issue is the subsidiary question of whether at the time of the accident Meshell was the owner of the truck with power to grant such permission.”

In answering this question, the Court quoted Am.Jur. in the following respect :

“‘As is said in 5 Am.Jur., Automobiles, § 535, P. 806, ‘For one’s use and operation of a car to be ‘with the express or implied consent’ of the named insured, within the meaning and effect of the omnibus clause, the rela-



tion of the named assured to the car must be such that he or it is in a position to give consent.' See also, 45 C.J.S., Insurance, § 829, pp. 900, 901, and cases there cited."

The court entered into a fairly lengthy but enlightening consideration of the issues before it. The court recognized the conflict between the various jurisdictions as to whether compliance with the statutory provisions relating to certificate of title are necessary to convey ownership. In this respect it is stated:

"The courts are not in agreement concerning the effect of the failure of a vendor or a vendee to comply with statutory provisions relating to certificates of title. As heretofore noted, under the Ohio law failure to comply prevents title from passing. *Garlick v. McFarland*, supra. Other jurisdictions so holding include Missouri, *Mackie & Williams Food Stores v. Anchor Casualty Co.*, 8 Cir., 216 F.2d 317; and California, *Harbor Ins. Co. v. Paulson*, 135 Cal. App.2d 22, 286 P.2d 870. Jurisdictions holding that compliance with the registration law is not a prerequisite to passage of title include Minnesota, *Johnson v. Fidelity & Casualty Co. of N. Y.*, 8 Cir., 238 F.2d 322; Wisconsin, *Hofslund v. Metropolitan Casualty Ins. Co.*, 7 Cir., 188 F.2d 188; and Iowa, *Federated Mutual Implement & Hardware Ins. Co. v. Rouse*, D. C. Iowa, 133 F.Supp. 226."

The court went on to say:

"The statutes are not designed to change the law with regard to passage of title upon either an absolute sale or a conditional sale of a vehicle. One court holding to the contrary has admitted that the rule that the vendor remains the owner, when the registration statute is not complied with 'may seem an artificial rule, and is contrary to that of most states \* \* \*'. *Harbor Ins. Co. v. Paulson*, supra, at page 874 of 286 P.2d."

In construing the Virginia law *State Farm v. Liberty Mutual*, 238 F.Supp. 141, said that even though title did not pass because of failure to comply with a Virginia statute on titles, the seller could not prevent the buyer from driving. Consequently, there could be no right to give or deny permission under the policy of insurance and without the right to give or deny permission, there was no omnibus coverage. In *Royal Indemnity v. Shue*, 182 N.E.2d 796, an Indiana case, the court held that a conditional vendee of a motor vehicle does not use with the permission of a conditional vendor for the purposes of omnibus coverage in an insurance policy. The Indiana court in this case stated:

“Failure to strictly comply with title conveyancing statutes does not affect transfer of ownership of a motor vehicle. The certificate of title is not of itself proof of ownership or legal title to the vehicle.”

This case went on to discuss whether or not permission could be granted under the circumstances where ownership had been transferred.

“This would be so even though Associates Investment Company had not purchased the contract, since this court has held, as a matter of law, that a conditional vendee does not use an automobile with the ‘permission’ of the conditional vendor within the meaning of the ‘omnibus’ clause in a similar policy of liability insurance. *Farm Bureau Mut. Ins. Co. v. Emmons* (1952), 122 Ind.App. 440, 104 N.E.2d 413. If Pratt was not operating the car with Enyeart’s permission, then, certainly, Ruby Nelson was not so operating it at the time of the accident.”

In *Travelers Indemnity Co. v. Nationwide Mutual Insurance Co.*, 227 F.Supp. 958, the federal court in discussing Virginia law stated that Virginia had adopted a very strict attitude in construing their motor vehicle laws. Yet the

court held the factual situation differed from the previous holdings in that Virginia had no "voiding clause" in their registration statutes as Ohio did. Arizona has no voiding clause in its statute. In discussing the type of statute Arizona has:

"The important point is that Virginia has no such voiding statute. And while it is true that generally illegal contracts or sales are void and unenforceable, a majority of courts which, like Virginia, have only the misdemeanor penalty and no statute expressly voiding an automobile transfer for non-compliance hold that the legislators intended the misdemeanor penalty imposed to be exclusive and the transaction effective even though the certificate is not transferred in compliance with the statute."

The Court of Civil Appeals of Texas in *Aetna Insurance Company v. Weatherford*, 370 S.W.2d 100 stated:

"Although there are relatively few cases on this point, the rule appears to be well settled that a conditional vendee does not use the insured vehicle with the consent or permission of the conditional vendor, and therefore is not within the coverage of an omnibus clause of an automobile liability insurance policy as involved in this case. See 36 A.L.R.2d 673; 5A Am.Jur., Automobile Insurance, p. 94. The reason for this rule is that the automobile is no longer owned by the insured in such a sense as will, legally speaking, enable the insured to give or withhold his permission or consent to the use of the automobile by the conditional vendee, since the vendor, though retaining title to the car until fully paid for, does so for security reasons only and has no control over the car and no right to its use."

Addressing this brief for a moment to the question of the public policy of the State of Arizona, defendant would bring to the court's attention that the cases cited by the



plaintiffs in their brief of *Schechter v. Killingsworth*, 93 Ariz. 273, 380 P.2d 136, and *Jenkins v. Mayflower Insurance Exchange*, 93 Ariz. 287, 380 P.2d 145, concerned themselves with the financial responsibility laws in the State of Arizona. In those cases no issue was presented as to the sale or transfer of title of a motor vehicle. The court did not pass on this issue nor did it discuss it nor can there be found anywhere in the Financial Responsibility Law of Arizona, any provision that the seller of a vehicle shall remain responsible therefor or shall remain the owner of that vehicle until such time as he has complied with the registration-transfer provisions of the Code of Arizona. The court below in addressing itself to counsel in fact pointed out that should the legislature have desired to do so, it could have written into the Financial Responsibility Law of the State of Arizona, a provision that a previous owner would remain liable for the driving or operation of the vehicle until such time as he had complied with the title transfer statutes.

It is suggested to the court that the cases cited by plaintiffs with respect to the public policy behind the Financial Responsibility Law in Arizona deals with the attempt to compel an owner of a vehicle to insure that vehicle. As stated in A.R.S. 28-1170 B:

“The owner’s policy of liability insurance must comply with the following requirements:

1. It shall designate by explicit description or by appropriate reference all motor vehicles with respect to which coverage is thereby to be granted.
2. It shall insure the person named therein and any other person, as insured, using the motor vehicle or motor vehicles with the express or implied permission of the named insured, against loss from the liability imposed by law for damages arising out of the ownership, maintenance or use of the motor vehicle or motor vehicles within the United States or the Dominion of

Canada, subject to limits exclusive of interest and costs, with respect to each motor vehicle as follows :

- (a) Ten thousand dollars because of bodily injury to or death of one person in any one accident.
- (b) Subject to the limit for one person, twenty thousand dollars because of bodily injury to or death of two or more persons in any one accident.
- (c) Five thousand dollars because of injury to or destruction of property of others in any one accident."

Thus, under our factual situation, that responsibility fell upon Douglas Ezell since an executed contract of sale had been entered into and physical possession of the vehicle had been assumed by the agent or employee of Douglas Ezell. Since Olson Motors was no longer the owner of the vehicle and no longer had any right to use it or direct the fashion in which it would be used, Olson had no responsibility to see that it was insured. Thus, if there is any application at all of the *Schechter* case or *Mayflower* case, *supra*, it would apply only to Ezell, who was the owner of the vehicle at the time of the accident and who should have insured the same to protect the public.

It is clear that the interpretation placed upon the statutes of the State of Arizona by the State Courts is such that a literal compliance with the title transfer statute is not required in order to effectuate and execute the sale of a motor vehicle. Consequently, the facts that are not disputed in this present case reveal that an executed sale had occurred. When this occurred, there could no longer be liability under a policy of insurance issued by the defendant in this suit to

Olson Motors. It is therefore respectfully requested that this court affirm the judgment of the court below.

Respectfully submitted,

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WESTOVER, KILLINGSWORTH &  
BESHEARS

By RALPH E. HUNSAKER  
*Attorneys for Appellee*

I certify that, in connection with the preparation of this brief, I have examined Rules 18, 19 and 39 of the United States Court of Appeals for the Ninth Circuit, and that, in my opinion, the foregoing brief is in full compliance with those rules.

RALPH E. HUNSAKER



No. 22591

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UNITED STATES COURT OF APPEALS  
For the Ninth Circuit

THOMAS FRED WALLACE and NORMA MAY  
WALLACE, husband and wife,

Appellants,

v.

EMPLOYERS CASUALTY COMPANY,

Appellee.

On Appeal from the United States District Court  
For the District of Arizona

REPLY BRIEF FOR APPELLANTS

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**FILED**

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No. 22591

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In The  
UNITED STATES COURT OF APPEALS  
For the Ninth Circuit

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THOMAS FRED WALLACE and NORMA MAY	)
WALLACE, husband and wife,	)
	)
Appellants,	)
	)
v.	)
	)
EMPLOYERS CASUALTY COMPANY,	)
	)
Appellee.	)

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On Appeal from the United States District Court  
For the District of Arizona

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REPLY BRIEF FOR APPELLANTS

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WALLACE, husband and wife,

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EMPLOYERS CASUALTY COMPANY,

Appellee.

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REPLY BRIEF FOR APPELLANTS

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Appellee's brief argues that because of the rule of *Erie Railroad Company v. Thompkins*, 304 U.S. 64, 82 L. Ed. 1188, requiring the Federal Courts to apply the Arizona substantive law, and the pronouncements of the Arizona Supreme Court in *Stephens-Franklin Motors, Inc. v. Lambros*, 71 Ariz. 389, 228 P.2d 267; *Patterson Motors, Inc. v. Cortez*, 2 Ariz. App. 298, 408 P.2d 231; and *Price v. Universal C.I.T. Credit Corp.*, 102 Ariz. 227, 427 P.2d 919, that the owner of the automobile on the date of the collision between



the appellants and Kenneth Russell Lewis, who was employed by Potts Motors of Phoenix, Arizona, was Potts Motor Company and not appellee's insured, Olson Motors of Williams, Arizona. As such, the automobile dealer's policy of liability insurance insuring Olson Motors does not apply. The apparent reason being that under the Arizona cases cited, ostensible ownership had passed to the buyer even though the Arizona Certificate of Title Act requires certain procedures to be followed before a title is transferred to the new owner. Then, going one step further, appellee cites A.R.S. § 28-1170(B), which talks about the requirements of an *owner's* policy of liability insurance and infers that since as between the automobile buyer (Potts Motor Company) and the automobile seller (Olson Motors), title passed prior to any compliance with the requirements of the Arizona Motor Vehicle Transfer of Title Act, that the public policy decisions referred to in appellants' brief, *Schechter v. Killingsworth*, 93 Ariz. 273, 380 P.2d 136, and *Jenkins v. Mayflower Insurance Exchange*, 93 Ariz. 287, 380 P.2d 145, do not apply.

Appellants can find no fault with the rule in *Erie v. Thompkins*, but the problem with the above argument is that the Arizona Supreme Court, in its effort to protect



the public through the pronouncements of its decisions starting with *Schechter v. Killingsworth*, *supra*, and *Jenkins v. Mayflower Insurance Exchange*, *supra*, have stated the public policy in the State of Arizona is such that a policy of liability insurance inures mainly to the benefit of the insured person. In *Jenkins* the court specifically refused to consider distinctions in language which might appear in a policy called a "motor vehicle liability policy" or an "automobile liability policy" or a "policy of insurance," the court saying:

"Where the basis upon which this act has been declared constitutional is, 'preventing financial hardship and possible reliance upon the welfare agencies,' we cannot constitutionally allow artful distinctions between 'motor vehicle liability policy,' 'automobile liability policy' or 'policy of insurance' to defeat the purpose of the act. To do so would make our opinion in *Schechter v. Killingsworth*, *supra*, a sham.

"We hold, therefore, that the omnibus clause is a part of every motor vehicle liability policy, by whatever name it may be called."

After those two decisions, the Arizona Supreme Court had many additional occasions to redefine the law in Arizona as it related to the pronouncements in both *Jenkins* and *Schechter*. Those subsequent decisions squarely show





that the public policy of Arizona was such that niceties of technical ownership of the automobile would not detract from the ability of an insured person to obtain the benefits of the policy of insurance.

In *Sandoval v. Chenoweth* (May 25, 1967), 102 Ariz. 241, 428 P.2d 98, a default judgment had been taken against the tort feisor and no notice of any nature was given to the insurance carrier. As between the tort feisor, insured, and the insurance company an actual breach of the policy terms existed. Notwithstanding, the Arizona court held that because of the established public policy stated in *Schechter*, and notwithstanding any acts on the part of the driver or his relationship with the insurance carrier, the public policy of the State would still be carried out. The court there quoted from *Wildman v. Government Employees' Ins. Co.*, 48 Cal. 2d 31, 307 P.2d 359, stating:

"\* \* \* [T]he *entire* automobile financial responsibility law must be liberally construed to foster its main objective of giving 'monetary protection to that ever changing and tragically large group of persons who while lawfully using the highways themselves suffer grave injury through the negligent use of those highways by others.'"

The next pronouncement of the Arizona Supreme Court came in *Dairyland Mutual Insurance Company v. Andersen*,



102 Ariz. 515, 433 P.2d 963 (1967). This was a garnishment proceedings against the insurance company with the insurer contending that its policy applied only in the event that the automobile was owned by the driver and that with respect to a non-owned automobile, its insurance was excess. The insurer was attempting to draw a distinction between an owner's policy of liability insurance and any other type of liability insurance policy. The court did not allow such a distinction to be made, holding that if the automobile was used by the driver with permission, the policy of insurance was available to the injured party.

It is submitted that the public policy of Arizona with respect to insurance proceeds being used for the benefit of those persons who may suffer financial hardship which may result by the use of automobiles by financially irresponsible persons is so strongly ingrained in the Arizona decisions that the niceties of whether or not the title passed immediately upon the transfer of the car to Lewis or passed at such time as all the requirements were met with respect to the right of appellants herein to recover must be resolved in favor of the appellants.

See further the cases of *Canal Insurance Company v. State Farm Insurance Companies*, 7 Ariz. App. 102, 436 P.2d



494; and *Harleysville Mutual Insurance Co. v. Clayton*, 440 P.2d 916 (May 8, 1968).

If this were an action between the buyer and seller of the car, the appellee's argument could be a favorable one but when an injured third person is involved, the public policy of the State of Arizona takes over, and the insurance on the automobile covers the injured person.

It should be noted that other courts have reached similar decisions to the one which appellants request of this court. And this analogy has been based on the duties required of their insured versus the rights and liabilities as between buyer and seller from a commercial sales view. Were the requirements of the Arizona statutes, specifically A.R.S. § 28-314, such as to make the buyer (Potts Motor Company) perform certain acts with respect to the registration in order to transfer title, the appellee's position might be stronger. However, A.R.S. § 28-314 specifically requires the transferor to do the various and necessary recited acts in order to transfer the certificate of title. This was the distinction relied on by the Missouri Court in *Sabella v. American Indemnity Company*, 372 S.W.2d 36. In *Sabella*, a garnishment action was instituted against a garage liability policyholder's insurer





by a plaintiff who had recovered a judgment against the purchaser of an automobile from the named insured. The purchaser had not received the certificate of title through the mail for about one week after he bought the automobile from the dealer and after the collision with the plaintiff had occurred. The court held that the policy of insurance insured to the benefit of the injured party because the previous owner, the insured, had not done or completed the actions which the insured was supposed to do, and as such, the insured's liability carrier could not escape the requirements of paying under the policy even though as between the parties ostensible title to the motor vehicle may have passed.

So also did the Fourth Circuit hold in the 1965 case of *Clouse v. American Mutual Liability Insurance Co.*, 344 F.2d 18. There, construing South Carolina law, the court held that the dealer's policy applied until all the requirements of the act had been complied with as the burden was upon the automobile dealer to comply with the required acts.

See also *Allstate Insurance Co. v. Hartford Accident & Ind. Co.*, 311 S.W.2d 41, where the dealer's policy of insurance was held primarily liable as between the dealer's policy and the buyer's policy when the requirements of the Missouri



statutes were not complied with.

A garage liability policy should be construed strictly against the insurer writing it in case of doubt. See *Constitutional Indemnity Co. v. Lane*, 67 F.2d 433 (C.C.A. 6th 1933). The public policy of Arizona requires this court to resolve this action in favor of the appellants who are the injured innocent parties, and not in favor of the automobile dealer's insurance carrier that wishes to evade liability based on a legal nicety in sales law as between the buyer and seller of an automobile.

It is respectfully submitted that this court should reverse the District Court below and enter judgment in favor of the appellants.

Respectfully submitted,

/s/ Harold Goldman

---

Harold Goldman

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CERTIFICATE OF COUNSEL

I certify that, in connection with the preparation of this brief, I have examined Rules 18, 19 and 39 of the United States Court of Appeals for the Ninth Circuit, and that, in my opinion, the foregoing brief is in full compliance with those rules.

/s/ Harold Goldman

---

Harold Goldman

AFFIDAVIT OF SERVICE BY MAIL

HAROLD GOLDMAN, being duly sworn, says that he deposited three (3) copies of the foregoing Reply Brief for Appellants in final printed form in the United States Post Office in the City of Phoenix, State of Arizona, enclosed in an envelope duly addressed to Mr. Ralph E. Hunsaker, O'Connor, Cavanagh, Anderson, Westover, Killingsworth & Beshears, 1800 First Federal Savings Building, Phoenix, Arizona 85012, with postage fully prepaid; he further states that he deposited twenty (20) copies in the United States Post Office in the City of Phoenix, State of Arizona, duly addressed to the Office of the Clerk, U. S. Court of Appeals for the Ninth Circuit, San Francisco, California 94101.

Both mailings were made on the 5th day of July, 1968.

/s/ Harold Goldman

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Harold Goldman

Subscribed and sworn to before me  
this 5th day of July, 1968.

/s/ Marvel A. Braun

[SEAL]

---

Notary Public

My commission expires December 8, 1968



No. 22592

JUN 19 1968

IN THE

UNITED STATES COURT OF APPEALS

FOR THE NINTH CIRCUIT

\_\_\_\_\_

SAN MARINO ELECTRONIC )  
CORPORATION, a California )  
corporation, )  
 )  
Cross-Appellant, )  
 )  
vs. )  
 )  
 )  
GEO. J. MEYER MANUFACTURING )  
CO., a Wisconsin corporation, )  
 )  
Cross-Appellee. )

No. 22592 ✓

\_\_\_\_\_

Appeal from the United States District Court

for the Central District of California

\_\_\_\_\_

APPELLANT'S BRIEF

\_\_\_\_\_

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FILED

JUN 19 1968

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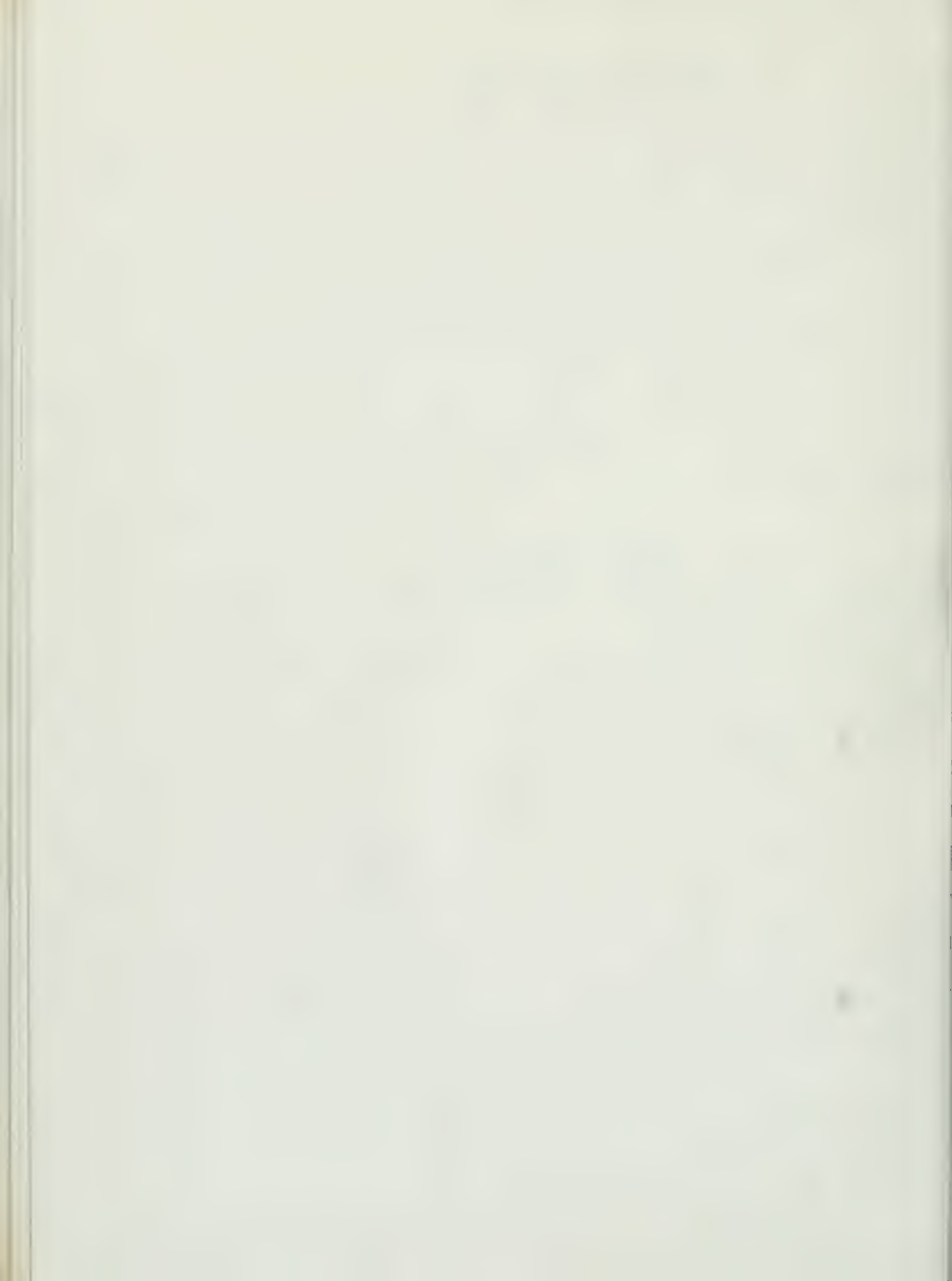


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CROSS - APPELLANT'S OPENING BRIEF

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STATEMENT OF PLEADINGS AND JURISDICTIONAL  
FACTS

A. The Present Action

Plaintiff-cross-appellant, San Marino Electronic Corporation (hereinafter "SME"), commenced the present action for declaratory judgment of patent invalidity and non-infringement in October, 1964 (R. 2-30)<sup>1</sup>, shortly after SME had been charged by defendant-cross-appellee, Geo. J. Meyer Manufacturing Co. (hereinafter "Meyer"), with infringement of the patent-in-suit, United States Letters Patent No. 3,133,640 (hereafter "'640 patent"). (R. 26-27; Ex. 10) Subsequent to Meyer's Answer and Counterclaim for infringement of the '640 patent, SME filed a Second Amended Complaint for anti-trust violations, declaratory judgment of patent invalidity, non-infringement and patent misuse. (R. 94-146) Meyer counterclaimed for patent infringement. (R. 811-832) Meyer is the assignee of the '640 patent pursuant to a Patent Transfer Agreement dated September 21, 1959 (Ex. 8) (hereinafter the "Patent Transfer Agreement").

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"R." references are to pages of the single, stipulated record on appeal.



B. Jurisdictional Statement

The Second Amended Complaint alleged jurisdiction of the District Court (hereafter "Trial Court") over the second claim for relief therein; pleaded under §§ 1338 and 2201 and 2202 of the Judicial Code of the United States (Title 28, U. S. Code), in that the action was for declaratory judgment with respect to the validity of the alleged infringement and non-enforceability of a United States patent (R. 105-111). Meyer's counterclaim for infringement of the '640 patent averred jurisdiction of the Trial Court also under § 1338 of Title 28 of the Judicial Code (R. 154-158). There was further pleaded by SME in the Second Amended Complaint, as a first claim for relief, a claim under the antitrust laws of the United States (R. 94-104), and as a third claim for relief, a claim for declaratory judgment of invalidity and non-infringement of another patent, No. 3,081,666. (R. 112-116) The latter claim for relief was subsequently dismissed by stipulation of the parties (R. 810); and the antitrust claim was severed by Pre-Trial Order No. 1 and deferred both for discovery and trial until after the trial of the second claim for relief involving patent No. 3,133,640 (R. 836-837). The Trial Court concluded that it had jurisdiction over the parties and the subject matter. Conclusion of Law No. 1, R. 1832; Conclusion of Law No. 2, (1954).

The issue as to whether Meyer had misused the '640 patent was tried first during September 27, 28, 29 and 30, and,





sulted in a ruling in favor of Meyer (Tr. \*725-741)<sup>1</sup>. Findings of Fact, Conclusions of Law and Order for Judgment were signed by the Trial Court on January 24, 1967 (R. 1813-1837). The issues of patent validity and infringement of the '640 patent were tried commencing January 3, 1967 and concluding January 31, 1967 (Tr. 1-2515). On April 7, 1967, the Trial Court filed a memorandum of its tentative conclusions (R. 1847-1851) and heard further arguments of counsel on April 17, 1967, with respect to such tentative conclusions (Tr. 2516-2614). On June 9, 1967, the Trial Court issued a further memorandum of its conclusions respecting the issues of patent validity and infringement (R. 1862-1867), and heard further arguments of counsel with respect to such conclusions on June 16, 1967, thereupon indicating its final conclusions orally from the bench (Tr. 2683-2706). Findings of Fact, Conclusions of Law and Order for Judgment (the latter referencing the Findings of Fact and Conclusions of Law on the misuse issue signed January 24, 1967) were entered October 10, 1967 (R. 1938-1958).

Although the Trial Court in its October 10, 1967, Order for Judgment did not thus adjudicate the antitrust claim for injunctive relief pleaded in the Second Amended Complaint, the Court expressly determined, pursuant to Rule 54(b) of the Federal Rules of Civil Procedure, that there was no just reason for delay and expressly directed that final judgment be entered upon all

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"R." references are to the transcript of the infringement portion of the trial; "Tr." references with an asterisk are to the transcript of the misuse portion of the trial.





vered claims theretofore tried by the Court (R. 1959-1962).  
jurisdiction of this Court of Appeals over the present appeal is,  
therefore, predicated upon 28 U.S.C. § 1291.

SME's Notice of Cross-Appeal was filed November 20,  
1967. (R. 1969)

C. Scope of the Cross-Appeal

SME appeals from those portions of the Order and  
Judgment entered on October 10, 1967, dismissing, upon their  
demands, SME's claims that Meyer has misused its patent and been  
guilty of unclean hands; awarding Meyer its costs incident to  
litigation on the issue of misuse as taxed by the Clerk; and directing  
that each party bear its own attorney's fees.



## STATEMENT OF THE CASE

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### A. Summary of the Facts.

#### 1. Introduction.

This statement of the facts is set forth pursuant Rule 18.2, Rules of the United States Court of Appeals for the Ninth Circuit. It is SME's contention on appeal that the Trial Court erred in failing to conclude that Meyer misused the '640 Patent and in failing to award SME its reasonable attorneys' fees in view of Meyer's course of inequitable conduct since its acquisition of rights under the Patent Transfer Agreement. To this end, this summary is directed to two classes of facts: (1) those which establish the framework of the instant controversy and concern the business, activities and products of the parties Plaintiff and the commercial background against which such business, activities and products are set; and, (2) those which demonstrate Meyer's activities within this framework, and the effect thereof, and establish the basis upon which SME's claims herein are based.

#### 2. SME's Business and Activities.

SME is a small California corporation having its principal place of business in El Segundo, California. (Finding of Fact No. 1, R. 1814) SME was organized in late 1962 to manufacture and sell its model 303 Electronic Empty Bottle Dispenser which was first placed on the market in early 1963. (Finding of Fact No. 27, R. 1829) SME's only products are



empty bottle inspection machines. In May, 1964, the '640 patent was issued to Meyer. In August 1964 Meyer placed SME, and its then main customer, Crown Cork and Seal Company, on notice of infringement of such patent (R. 28-29). In October, 1964, SME brought the present suit for declaratory relief from the threat of patent infringement. SME did business at an annual rate of approximately \$400,000.00. To the date of the filing of this appeal, the cost of defending the litigation brought upon SME by Meyer has been approximately \$130,000.00.

### 3. Meyer's Business and Activities

Meyer is a Wisconsin corporation having its principal place of business in Cudahy (Milwaukee County), Wisconsin, and other places of business in the United States and abroad. (Finding of Fact No. 2, R. 1814) As of the time of this litigation, Meyer did business at an annual rate of approximately 35 million dollars. Meyer manufactures an entire line of bottle handling equipment used by soft drink, beer and milk bottling companies. Among the equipment manufactured and sold by Meyer are washing machines, packing machines, filling and bottle sorting machines, labeling machines, and an empty bottle inspection machine. (Finding of Fact No. 2, R. 1814; R. 35, 36) Meyer's empty bottle inspection machine, designated Mark IV, has been marketed by Meyer since late 1959. Prior to that time, Meyer did not have an empty bottle inspection machine in its line. (Finding of Fact No. 17, R. 1824) Such machine derived from Meyer's acquisition of rights under the only two





tent applications owned by Industrial Dynamics Corporation hereafter "IDC"). One of these patent applications was the present application Serial No. 741,634 upon which a continuation patent application, Serial No. 60,753, was based. This continuation application, filed by Meyer in October of 1960, resulted in the issuance of the '640 patent in May of 1964. (Finding of Fact No. 4, 6, R. 1815, 1816-1817)

Meyer is one of the largest, if not the largest manufacturer of bottling handling equipment in the United States. (Finding of Fact No. 2, R. 1815) In Meyer's own prospectus, Meyer admits to having more than 90% of the market for equipment in the bottling handling field. Specifically, the prospectus states that Meyer has more than 90% of the bottle labeler market; is only one major competitor in the filler and pasteurizer market; is the largest manufacturer of cleaner equipment; and is the only domestic manufacturer supplying all required equipment for fully integrated and automated beverage and bottle labeling lines. (Ex. 35) With respect to machines for detecting foreign articles in empty bottles, commonly referred to as empty bottle inspection machines, it is estimated that Meyer has in excess of 70% of the present market and has sold more than 70% of the machines in use (Ex. 35, 36). In reaching its position within the bottle handling industry, Meyer has accumulated somewhat over 200 patents. However, the president of Meyer recalls only two or three instances where Meyer has granted a license under its patents, notwithstanding Meyer's extensive patent portfolio.



. \*578) Meyer has granted but one license under its empty bottle inspection machine patents.

4. Other Manufacturers of Empty Bottle Inspection Machines

Fredrick L. Calhoun, Donald D. Williams, and Les H. Wyman formed IDC, which corporation began to manufacture and sell an empty bottle inspection machine, designated Mark II machine early in 1958. (R. 1689) This machine was substantially in accordance with the teachings of the '640 patent. (Tr. 475; 2347) In 1959, IDC filed, in addition to parent application hereinbefore mentioned, an additional application Serial No. 808,172 which resulted in the issuance of U. S. Patents Patent No. 3,081,666. This patent allegedly defines improvements over the Mark II machine, which improvements are incorporated in the Mark IV machine. (Finding of Fact No. 4, R. 1815, 1816) The Mark IV machine was marketed by IDC, as successor to the Mark II machine, from 1958 until execution of the Patent Transfer Agreement. This is the same Mark IV machine which Meyer has marketed since September 1959 until the present. (Tr. 967; Finding of Fact No. 6, R. 1817)

In September of 1959, Meyer acquired the then pending patent applications owned by IDC pursuant to the Patent Transfer Agreement. (Finding of Fact No. 17, R. 1824) At the time Meyer entered into such manufacture, according to Meyer's representatives, there was no other commercially acceptable machine for performing the function of empty bottle inspection.





inding of Fact No. 16, R. 1824; Tr. 907-908) Thus, from September 1959 through March 1960, Meyer was the only company commercially marketing bottle inspection machines.

Wyman terminated his relationship with IDC in July 1959. Shortly thereafter, Wyman formed a corporation called Industrial Automation Corporation (hereafter "IAC") which company began to manufacture and sell an empty bottle inspection machine in competition with Meyer. (Finding of Fact No. 22, R. 1826) This machine was first introduced to the market in approximately March of 1960 (Tr. \*195) Subsequently, IAC transferred its property rights, including patent applications relating to the empty bottle inspection machine which it was marketing, to the Perry-Wehmiller Company of St. Louis, Missouri. (Finding of Fact No. 22, R. 1826)

Subsequent to the execution of the Patent Transfer Agreement, IDC's name was changed to Electro-Dynamics Corporation, which corporation was subsequently allowed to go dormant, serving only as a vehicle for the receipt of royalties from Meyer pursuant to the Patent Transfer Agreement. (Finding of Fact No. 18, R. 1824) Following the dormancy of Electro-Dynamics Corporation, Calhoun and Abner L. Browning, an IDC employee, formed a new corporation, Industrial Dynamics Company, Ltd. (hereafter "IDC Ltd."). Neither IDC, Electro Dynamics, IDC Ltd, Calhoun or Browning have produced an empty bottle inspection machine since September, 1959. IDC Ltd. has developed other bottle handling equipment, all of which equipment having been sold through Meyer. (Finding of Fact No. 20, R. 1825; R. 1897-1898)



Thus, at present, there are but four organizations commercially involved with the empty bottle inspection machine industry: the non-operating, virtually defunct Electro-Dynamics Corporation; the Barry-Wehmiller organization; and the present party litigants. Both Barry-Wehmiller and SME are presently under the cloud of cease and desist letters issued by Meyer. (Finding of Fact No. 22, 28, R. 1826, 1829)

5. Meyer's Course of Inequitable Conduct

a. Meyer's Misuse of the '640 Patent and Unclean Hands In Connection Therewith

The '640 patent derives from the parent application Serial No. 741,634 originally filed by Messrs. Calhoun, Williams and Wyman and subsequently assigned to IDC. Fourteen claims of this application were prosecuted in the United States Patent Office through allowance. (Finding of Fact No. 4, R.1815; Ex. )

On or about September 21, 1959, IDC and Meyer entered into a written agreement consisting of two parts. Pursuant to the first part, the Patent Transfer Agreement, IDC transferred to Meyer all of its right, title and interest in the two patent applications which IDC represented to Meyer as covering its machine to inspect empty bottles for the presence of foreign particles. The second part of the agreement of September 21, 1959 consisted of a Consultant Agreement between Meyer on the one hand, and Calhoun and Browning on the other hand, pursuant to which Calhoun and Browning agreed to act as consultants to





yer for a limited period of time to facilitate the transfer know-how relating to the bottle inspection machine then being manufactured by IDC to Meyer (Ex. 9). At this time, Calhoun and Browning were the principal officers and employees of IDC, Messrs. Williams and Wyman having terminated their relationship with IDC some months prior thereto. Neither Williams nor Wyman is a party to the consultant agreement in question. (Finding of Fact No. 6, R. 1816-1817)

Subsequent to execution of the Patent Transfer Agreement, at its own expense, on October 5, 1960, Meyer filed application Serial No. 60753, a continuation of the parent application 741,634, which parent application was subsequently abandoned. (Finding of Fact No. 4, R. 1815-1816) The specification and drawings of the continuation application were identical to those of the parent application but additional broader claims were set forth in the continuation application and added by amendment thereafter. (Ex. 41) As a consequence of Meyer's prosecution of the continuation application, and the other transferred application, United States Letters Patent No. 3,133,640 and 3,081,666 were granted thereon, respectively. (Finding of Fact No. 4, R. 1816)

The Patent Transfer and Consultant Agreements have a number of clauses of particular significance to SME's claim of misuse of the '640 patent (Ex. 8, 9). As stated by SME at the trial on the issues of misuse, and as contended herein, both agreements contain non-compete and grant-forward clauses. Of



particular relevance are Article XIV of the Patent Transfer Agreement and paragraph 4 of the Consultant Agreement. The purpose, scope and interrelationship of these clauses will be discussed in greater detail hereinafter. The non-compete clauses were complemented by provisions in the Patent Transfer Agreement that between IDC and Meyer, Meyer had the sole right to make the bottle inspection machines. (Ex. 9, Article V. B.) Thus, Article B. confers upon Meyer the exclusive right to manufacture and sell the particular bottle inspection machines while Article XIV states that IDC will not compete in the manufacture or sale of such machines during the life of the agreement. The life of the agreement is clearly defined by Article XIII of the Patent Transfer Agreement as the pendency period of the transferred applications plus the life of the patents to issue thereon, a period of approximately 22 years. (Finding of Fact No. 7, 15, R. 1820, 1824)

As a further complement to the non-compete clauses, Patent Transfer and Consultant Agreements contain broad right-first-refusal and grant-forward clauses (Article VIII and paragraph 5, respectively) which provide for the disclosure and assignment of any improvement in bottle inspection machines at an additional royalty to Meyer and for the prompt and full disclosure to Meyer of any "electronic applications for the packaging industry".

In June, 1966, approximately seven years after execution of the Patent Transfer and Consultant Agreements, and less than four months prior to the trial on the issues of misuse in





e instant controversy, IDC (Electro-Dynamics Corporation) and  
yer entered into an agreement pursuant to which Article XIV  
the Patent Transfer Agreement dated September 21, 1959 was  
scinded and declared null and void. (Finding of Fact No. 11,  
1822)

At the time that the Patent Transfer and Consultant  
reements were entered into, IDC's two main technical employees  
re Browning and Calhoun; Williams and Wyman having terminated  
eir relationship with IDC. Neither Williams nor Wyman were  
und by either the Patent Transfer or Consultant Agreements.  
inding of Fact No. 6, R. 1817) Wyman did, however, enter into  
employment termination agreement with IDC but apparently its  
ope fell short of stopping the Wyman venture, that is, IAC.  
e Wyman termination agreement contains a provision that Wyman  
uld, for a period of years, be bound by all of the terms of  
e patent protection agreement entered into with IDC.  
is patent protection was expanded to the extent that it includes  
y inspection device utilizing the principles described in the  
plication for patents then pending. (Ex. 25)

Meyer and Calhoun considered using the Wyman termination  
reement and the patent protection agreement to eliminate Wyman  
a competitor. Apparently, the termination agreement, coupled  
th Barry-Wehmiller's entry into the field on the side of Wyman,  
d the prospect of a broadened patent protection to cover Wyman  
d an additional application from Calhoun, discouraged Meyer  
om suing Wyman at that time. (Ex. 27) It can be seen that





er and Calhoun were cooperating to eliminate Wyman as a competitor by two approaches: first, the employment termination agreement coupled with broadened claims, and second, by filing patents to cover the Wyman machine. Meyer, along with Calhoun, was pursuing three patent applications with full knowledge of Wyman's machine, and making every effort to cover Wyman's machine by these patent applications. This was done notwithstanding that it is clear the original patent application Serial No. 741,634 did not cover the Wyman machine, nor did the continuation application Serial No. 808,172, which is the other application assigned under the Patent Transfer Agreement. Thus, in March, 1960, Wyman went into business; on April 8, 1960, a patent application Serial No. 20,884 was filed by Calhoun and Meyer (Finding of Fact No. 23, R. 1826, 1827); and, in October, 1960, the broadened continuation application on Serial No. 741,634 was filed which resulted in the '640 patent.

The thrust of the drive to obtain means to eliminate the Wyman machine was continued on yet another front when Wyman filed an application for patent on a machine for inspecting empty bottles. The new attack was based upon Meyer's pending application Serial No. 20,884. Application Serial No. 20,884 was entered in an interference with the Wyman Patent Application Serial No. 21,164 (Finding of Fact No. 23). Calhoun, in a letter to one of the executives of Meyer, commented on the interference and the 20,884 application stating that he considered Meyer's position weak and that there was no true reduction to practice that could



favorably compare to Wyman's earliest date. (Ex. 26)

The Calhoun letter had a number of marginal comments hereon which were made by Mr. McConnell of the Meyer Co. These comments are as follows: "Wasn't this instigated by Wyman activity and [our] first examination of his unit?", "The real reason for the mosaic application [Ser. No. 20,884] at the time was to reach on Wyman." Thus the 20,884 application was filed to reach on Wyman after Wyman's machine was marketed and was based upon at best a vague and poor conception and reduction to practice, if any, by Calhoun. Notwithstanding these circumstances, Calhoun and Meyer entered into the interference with the pending Wyman patent application. Calhoun filed a preliminary statement in this interference under oath that he actively started to exercise reasonable diligence on or about December 19, 1958, toward reduction to practice and that he actually reduced the invention to practice on or about March 1, 1959 (Ex. 5). These statements were made notwithstanding there is no indication in Calhoun's work notebook that there were ever any experiments or tests or anything done with respect to the disclosures of the 20,884 application. (Ex. 1)

With the Calhoun and Wyman patent applications in interference, Calhoun and Meyer attempted to add the continuation application to the interference. Thus, Wyman was confronted with all of the Meyer and Calhoun patents in the Patent Office. If Calhoun and Meyer were successful in any of the various interference strategies, they would have taken the first step toward





establishing infringement of the Calhoun and Meyer patents by  
man. The Patent Office denied Calhoun's motion to add, and  
denied Wyman's motion to dissolve the interference. (Ex. 5;  
Finding of Fact No. 23)

b. Fraud on the United States Patent Office

Prior to the formation of IDC, Messrs. Calhoun and  
Williams were employed by Hughes Aircraft Company in the guided  
missile division. (Tr. 99; Tr. \*171) During the course of  
that employment, Williams and Calhoun, named co-inventors of  
the subject matter of the '640 patent, acquired at least ordinary  
skill in the guided missile and missile tracking field, wherein  
the use of spoked reticle-AC systems for the electro-optical  
detection of objects against a background was well known prior  
to filing the parent application. After organizing IDC, the  
inventors devoted a number of months in unsuccessful attempts to  
develop an operative system for detecting particles in empty  
bottles before deciding that a scanning type of system, similar  
to that known in the guided missile and missile tracking art, was  
not suited for bottle inspection. Once it was decided that a  
rotated optical system with radial scan was best suited for bottle  
inspection, IDC required only approximately one month to design and  
construct its first prototype of the machine described in the '640  
patent. While the inventors appeared to have had some developmental  
problems they were mostly engineering problems, i.e., problems  
related to the application of the inventors' mechanical and  
electronic skills. Indicative of the application of such skills



e entries contained in a laboratory notebook maintained by  
lhoun during the development of the machine described in the  
40 patent. (Ex. I) At page 41 thereof, Calhoun states that  
everal systems such as these have been used in guided missiles".  
ch statement refers to a rough block diagram drawn in Calhoun's  
n hand depicting the scanning system of a Falcon guided missile.  
ill with reference to the Falcon guided missile system, at  
ge 41-42 of the notebook Calhoun states, "An in-line refraction  
stem can be made that is equivalent to this as follows:".   
ere follows a rough block diagram generally depicting the  
anning system disclosed by the '640 patent.

The art within which Calhoun and Williams derived  
eir skills, and the systems with which they worked, are  
rectly related to the detection principles alleged as invention in  
e '640 patent. (Finding of Fact No. 10, R. 1941-1942;  
nclusion of Law No. 6, R. 1955) What the named inventors did  
uld not be surprising or unobvious to a person skilled in the  
t as were Messrs. Calhoun and Williams. (Finding of Fact  
. 21, R. 1947)

Prior to the filing of the continuation application,  
ver, by another group of attorneys, caused a counterpart thereof  
be filed before the British Patent Office. (Ex. 41, page 345)  
ing the course of this British prosecution, the British  
ent Office cited British patent number 517,229, issued to  
man P. Stoate, as a basis for rejecting claims recited by the  
ed patent application. (Ex. 108) Stoate '229 teaches the





e of a centered optical system with a rotatable scanning member  
ving a single radial slit. The scanning member is disposed  
ove the bottle being inspected, with its axis of rotation  
incident with the common axis of a light source, bottle and  
photo cell. Meyer knew, through other attorneys than those  
Prosecuting the applications which resulted in the grant of the  
'40 patent, of the Stoate '229 patent prior to its prosecution  
the continuation application. (Finding of Fact No. 15(a),  
1944) Meyer did not bring the Stoate '229 patent to the  
attention of the Patent Examiner even though it was more relevant  
than that cited by the Examiner.

Further facts regarding Meyer's misrepresentation  
the foregoing facts, and others, are set forth in greater detail  
pursuant to SME's argument on this issue.

c. Late Presented Claims

As stated hereinbefore, the parent application was  
filed on June 12, 1958, listing Messrs. Calhoun, Williams and  
Herman as co-inventors thereof, such application being subsequently  
assigned to IDC. IDC began selling an empty bottle inspection  
machine, the Mark II, allegedly corresponding to the subject  
matter of the claims of the '640 patent, early in 1958. Late in  
1958, IDC began selling an improved machine, designated Mark IV,  
which machine also allegedly corresponds to the teachings of the  
'40 patent. Late in 1959, Meyer began marketing the Mark IV  
machine. In March of 1960, IAC began selling its empty bottle  
inspection machine in competition with Meyer's Mark IV. In  
October, 1960 more than two years following the first sale of the



mark II machine, Meyer filed the continuation application embodying broader claims than those recited in the parent application.

During the course of its argument herein, SME will show that the claims added during prosecution of the continuation application define a new and different invention from that originally relied upon in the parent application and that such claims are invalid in view of the prior sales by IDC, Meyer and SAC of machines allegedly corresponding to the invention defined by the late presented claims.

In summary, there were before the Trial Court undisputed facts upon which SME bases its claim of Meyer's misuse of the '640 patent and its inequitable course of conduct warranting an award of costs and attorney's fees to SME.

#### B. Questions Involved

1. Whether the plain and simple meaning of Article IV of the Patent Transfer Agreement is that IDC shall not, anywhere in the world, for a period of approximately 22 years, make or sell machines for detecting foreign particles in empty bottles which are competitive with Meyer.

2. Whether Article XIV is a traditional non-compete clause.

3. Whether a patent is misused when the transfer of rights thereunder is coupled with a non-compete clause, Article XIV.



a. Whether the Trial Court was wrong, as a matter of law, in relying upon a reasonableness of purpose test to conclude that the inclusion of Article XIV does not amount to a misuse of the '640 patent.

b. Whether, in view of the plain meaning of Article XIV, Meyer has misused the '640 patent.

4. Whether the '640 patent is misused when the transfer of rights thereunder is coupled with the grant-forward clause Article VIII, A.

5. Whether Meyer's conduct in connection with the '640 patent, as it affected the market in which the '640 patent is operative, amounts to unclean hands.

6. Whether, by virtue of the rescission agreement of June 23, 1966, Meyer has, or can, purge itself of the misuse of the '640 patent.

7. Whether the result of Meyer's totality of inequitable conduct is the imposition on SME of such an injustice as to warrant an award of attorney's fees incurred incident to the instant controversy.

a. Whether the Court should disturb the Trial Court's erroneous conclusion regarding the award of attorney's fees.

b. Whether an award of attorney's fees to the prevailing party is proper where the losing party pursued a course of inequitable conduct.

c. Whether, since its acquisition of rights in the '640 patent, Meyer has pursued a course of inequitable





conduct evidencing such bad faith as to warrant an award of attorney's fees to SME.

(1) Whether Meyer has misused the '640 patent and been guilty of unclean hands in connection therewith.

(2) Whether Meyer committed a fraud on the Patent Office during prosecution of the application for the '640 patent by withholding known, relevant prior art; by misrepresenting its position with respect to such withheld art; and by misrepresenting the commercial success of machines corresponding to the '640 patent.

(3) Whether Meyer relied at trial upon claims that are invalid because they were first presented to the Patent Office more than one year after a public use or sale, or after the intervention of an adverse public right.

(4) Whether Meyer conducted pre-trial proceedings and utilized strained constructions and faulty demonstrations as to the teachings of the '640 patent during trial in a bad faith attempt to establish infringement of the '640 patent.

(5) Whether the whole of the foregoing course of conduct evidences an inequitable course of conduct the necessary result of which is to impose on SME an unjust burden of defense against the '640 patent.



## ERRORS RELIED UPON

The Trial Court erred in concluding that Article XIV and Article VIII. A. of the Patent Transfer Agreement and paragraph 4 of the Consultant Agreement do not constitute misuse of the '640 patent. (Conclusion of Law No. 14, R. 1835)

1. The Trial Court erred in concluding that Article XIV and paragraph 4, whether considered separately or together, do not constitute misuse of the '640 patent or unclean hands. (Conclusion of Law No. 7, R. 1833-1834)
  - a. The Trial Court erred in stating, as a finding of fact, the meaning attributable to Article XIV.
  - b. The Trial Court erred in concluding that Article XIV refers only to bottle inspection machines for which two patent applications had been filed and which IDC assigned to Meyer, and not also to competing bottle inspection machines. (Conclusion of Law No. 4, R. 1832)
  - c. The Trial Court erred in concluding that the life, or duration, of Article XIV is limited to the pendency period of the two patent applications referenced in the "Whereas" clause of the Patent Transfer Agreement. (Conclusion of Law No. 4, R. 1832-1833)



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- d. The Trial Court erred in concluding that, as the phrase "in competition with" is used in Article XIV, it means only that IDC is prevented from making and selling only those machines covered by applications referenced in the Patent Transfer Agreement. (Conclusion of Law No. 5, R. 1833)
- e. The Trial Court erred in concluding that, to the extent that the phrase "during the life of this agreement" in Article XIV tends to indicate that the protection afforded by that Article extends over the life of the patents to issue on the referenced applications, it is surplusage. (Conclusion of Law No. 5, R. 1833)
- f. The Trial Court erred in applying a reasonableness of purpose test to its determination of whether Article XIV and/or paragraph 4 constitute patent misuse or unclean hands. (Findings of Fact No. 14, R. 1823; Conclusion of Law No. 7, R. 1833-1834)
- g. The Trial Court erred in concluding that by virtue of the rescission agreement of June 23, 1966, Article XIV cannot presently impair Meyer's rights to protect the '640 patent. (Conclusion of Law No. 8, R. 1834)





2. The Trial Court erred in concluding that the grant-forward clause Article VIII.A. of the Patent Transfer Agreement does not constitute patent misuse or unclean hands. (Conclusion of Law No. 12, R. 1835)
  - a. The Trial Court erred in finding that the provisions of Article VIII.A. are reasonable. (Findings of Fact No. 25, R. 1828-1829)
  - b. The Trial Court erred in applying a reasonableness of purpose test to its determination of whether Article VIII.A. constitute patent misuse or unclean hands. (Finding of Fact No. 25, R. 1828-1829)
3. The Trial Court erred in concluding that the combination of the non-compete clause, the grant-forward clauses, and the right of first refusal clauses in the Patent Transfer and Consultant Agreements do not constitute unclean hands or patent misuse. (Conclusions of Law No. 14, R. 1835)

The Trial Court erred in concluding that Meyer's attempts to restrain competition from Wyman by broadening the pending '640 patent applications to cover Wyman's later developments; by filing an additional application and instituting an interference with Wyman's application;



and by sending Wyman's assignee cease and desist infringement letters do not constitute unclean hands or patent misuse.

The Trial Court erred in failing to award SME its costs of litigation incident to trial on the issues of patent misuse and unclean hands. (Conclusion of Law No. 24, R. 1958)

The Trial Court erred in concluding that each party should bear its own attorney's fees. (Conclusion of Law No. 24, R. 1958)

1. The Trial Court erred in failing to find and conclude that the totality of Meyer's inequitable and bad faith conduct has imposed an unjust burden on SME.

- a. The Trial Court erred in concluding that Meyer has not misused the '640 patent and has not been guilty of unclean hands with respect thereto. (Order for Judgment, R. 1837)

- b. The Trial Court erred in concluding that Meyer has not practiced a fraud on the United States Patent Office in its prosecution of the application for the '640 patent. (Conclusion of Law No. 14, R. 1956-1957)

- (1) The Trial Court erred in finding that



Meyer did not practice any fraud on the Patent Office by failing to call known relevant prior art to the attention of the Patent Office.

(Finding of Fact No. 15 (a), R. 1944-1945)

(2) The Trial Court erred in finding that Meyer's attorneys were not convinced of the relevance of such prior art. (Finding of Fact No. 15 (a), R. 1944-1945)

(3) The Trial Court erred in basing its determination as to whether Meyer committed a fraud on the Patent Office on Meyer's attorney's state of mind.

(4) The Trial Court erred in failing to find that Meyer misrepresented the commercial success of the invention allegedly taught by the '640 patent.

c. The Trial Court erred in failing to rule upon SME's contentions that claims 7-15, 17-24 are invalid because they were filed more than one year after public use began. (Conclusion of Law No. 17, R. 1957)

d. The Trial Court erred in failing to find that Meyer's contentions as to the teachings of the '640 patent, and its trial demonstrations exemplary thereof, were made in bad faith.





A. Summary.

SME's case on appeal may be simply stated as follows:

1. Meyer has unlawfully expanded the monopoly and the scope of the '640 patent by:

a. Contractually binding, wherever possible, the inventors thereof from further competitive developments with empty bottle inspection machines marketed by Meyer through broad non-compete provisions in the Patent Transfer Agreement; and,

b. Where not contractually possible, by filing and broadening patent applications, in bad faith, to cover competitive equipment.

The Trial Court erroneously condoned such activities by failing to conclude that, as a matter of law, such course of conduct amounts to patent misuse and uncleanness.

2. The Trial Court erred in failing to award SME its attorney's fees incurred with respect to the trial of the instant controversy and further erred in awarding Meyer its costs of litigation incident to the question of patent misuse. Such error stems from the Trial Court's further errors, as a matter of law, in failing to conclude that:

a. Meyer misused the '640 patent;

b. Meyer practiced a fraud on the



Patent Office by failing to come forward with known prior art, more relevant than that cited by the Examiner during prosecution of the '640 patent, while distinguishing the alleged invention defined by the '640 patent from the cited art on a basis which was clearly disclosed by the withheld art;

c. The '640 patent was sought to be enforced by Meyer while relying upon late presented claims, i.e., claims embodying subject matter first presented to the Patent Office more than one year after Meyer's use and sale of machines embodying such subject matter, and/or, claims first presented after the intervention of adverse public rights; and

d. Meyer's course of conduct from its acquisition of the '640 patent through trial on the merits is fraught with inequitable and bad faith pursuits.

The controversy on appeal stems not from a disputed factual basis, but rather from the erroneous conclusions drawn by the Trial Court as to the significance of the undisputed facts in view of the applicable legal principles.

Accordingly, SME's objectives herein are to seek to rectify that which SME contends are erroneous conclusions directed to an issue of law of great public interest, which conclusions are now published and stand as a precedent in this circuit; to recover costs wrongfully awarded Meyer; and to recover its attorney's fees for litigation inequitably imposed.



B. Meyer's Imposition Of The Anti-Competitive Provisions Of The Patent Transfer Agreement Is An Unlawful Extension Of The Patent Monopoly Amounting To Patent Misuse.

1. The Plain And Simple Meaning Of Article XIV Is That Industrial Dynamics Corporation Shall Not, Anywhere In The World, For A Period Of Approximately 22 Years, Make Or Sell Machines For Detecting Foreign Particles In Empty Bottles Which Are Competitive With Those Produced By Meyer.

The Trial Court properly concluded that the terms of the Patent Transfer Agreement are understandable and, therefore, interpreted the contract from its four corners without regard to extraneous evidence. (Conclusion of Law No. 18, R. 1836; Tr. \*329-330). It is well established that the correctness of an interpretation or construction so derived is purely a matter of law; that the instrument must be construed according to all of the terms employed; and, that a court is not at liberty to disregard words used by the parties or to insert terms not employed by the parties. Cases collected: 17 Am. Jur. 2d, Contracts, Sec. 241, 242, 259.

The Patent Transfer Agreement provides in relevant part:

Whereas, Fredrick L. Calhoun, Donald D. Williams and James H. Wyman, and Fredrick L. Calhoun and Abner L. Browning are the inventors of a machine, hereinafter called a "bottle inspection machine", which is used to detect and reject bottles coming from a bottle washer which have not been properly washed or which contain foreign matter, for which invention two applications for letters patent have been filed in the United States Patent Office on June 12, 1958, and on April 21, 1959, respectively, and which bear the serial No. 741,634 and 808,172, respectively.





#### Article XIV

Industrial agrees that it will not enter into competition with Meyer in the manufacture or sale of bottle inspecting machines during the life of this agreement.

#### Article XIII

Unless sooner terminated under Article X, this agreement shall continue in force to the end of the term of the last to expire of any United States Letters Patent obtained for either application serial No. 741,634 or application serial No. 808,172. . .

om the Consultant Agreement:

#### 4. Agreement not to compete

(Calhoun and Browning) agree that for a period of three years after completion of their services under this agreement, they will not, jointly or severally, enter into the employ of any person, firm, corporation or other organization or themselves engage in business when such employer, employment or business shall be in any way in competition with Meyer in its manufacture or sale of bottle inspection machines as defined in the agreement between Meyer and Industrial. (Pltf. Ex. 9)

In view of the Trial Court's conclusion that paragraph 4 of the Consultant Agreement has the same coverage effect as Article XIV except that it restrains only Messrs. Calhoun and Browning, for a limited period of time, (Conclusion Law No. 6, R. 1833) the following discussion, while applicable to paragraph 4, will be directed only to Article XIV.

The Trial Court concluded that the subject of Patent Transfer Agreement is the "bottle inspection machine" it is defined in the first "Whereas" clause; stated that the





agreement is directed to the bottle inspection or inspecting machines for which two patent applications were filed and referred to in the "Whereas" clause hereinbefore; (Finding of Fact No. 12 R. 1822); and concluded that the machines referred to in Article XIV are machines for which two patent applications referred to in the "Whereas" clause were filed, and only those machines. (Finding of Fact No. 13 R. 1823). It is submitted that the Trial Court's interpretation of Article XIV with respect to the meaning of "bottle inspecting machines" and the duration of Article XIV is stained and erroneous as a matter of law; and that such is the result of the Trial Court's failure to adhere to established legal principles relating to the interpretation and construction of contracts as hereinbefore set forth.

The position which the Trial Court has taken with regard to the meaning of Article XIV falls short of reality. This conclusion will become apparent from a careful analysis of the terms employed by the parties in Article XIV. In Article XIV there are three important phases:

1. "will not enter into competition with Meyer"
2. "in. . .bottle inspecting machines"
3. "during the life of this agreement"

Analysis should begin with the phrase, "in. . . bottle inspecting machines," the subject of Article XIV. It is first submitted that Article XIV does not, and was not, intended to refer to the "Whereas" clause; the "Whereas" clause refers to "bottle inspection machines", not "bottle



inspecting machines" as employed in Article XIV. Secondly, the "Whereas" clause is not, per se, a definition; there are more than five different phrases used to refer to the subject matter of the agreement in various clauses. The following are a few phrases so used: "bottle inspecting machines forming the subject matter of this agreement" (Articles IV and V); "bottle inspection machines incorporating the teachings of the inventions as defined in applications serial Nos. 741,634 and 808,172" (Article VI).

It cannot be contended that the patent applications referenced in the "Whereas" clause in any way define the subject matter of the agreement for then the agreement must fail for indefiniteness, a result to be avoided if possible. If resort is to be made to the applications, does ~~one~~ refer to the drawings, the description, the first claims, the claims added by amendment during prosecution, or the claims of the issued patent? As is shown hereinafter, the claims of the issued '640 patent differ extensively from those first recited in the parent application Serial No. 741,634. Thus one cannot find the subject matter of the agreement in the transferred applications.

Turning to the critical phrase "will not enter into competition with Meyer", the words "compete" and "competition" are defined by Webster's Seventh New Collegiate Dictionary, 1965, in the following manner:



Compete. . .to vie with another for or as if for a prize.

Competition. . .1: the act or process of competing; rivalry. 2: a contest between rivals; also: the person competing. . . 3: the effort of two or more parties to secure the business of a third party by offer of the most favorable terms. . .

S. Chesterfield Oppenheim in his book, Federal Anti-Trust Laws, 1959, p. 65, defines "competition" in a realistic sense as: "The self-interested and independent rivalry of two or more private competitors."

Thus, according to Article XIV, IDC was bound not to impose any independent and self-interested rivalry with Meyer. This condition was to prevail in "the sale and manufacture of bottle inspecting machines."

Assuming for the moment, but not conceding, that the Trial Court's position is correct that "bottle inspecting machines" means that apparatus disclosed in the patent applications enumerated in the "Whereas" clause, then IDC would, according to Article XIV, be restrained from presenting an independent and self-interested rivalry with Meyer in the sale and manufacture of machines shown in the patent applications. Such rivalry could arise by IDC's manufacture or sale of machines substantially identical to the ones shown or disclosed in the patent applications; or, by its manufacture or sale of a machine substantially different than the ones shown or disclosed in the patent applications, but performing the same function; or by its manufacture or sale of an unpatented machine for performing the same function.







The interpretation that Article XIV prohibits IDC only from selling or making a machine identical to the one shown in the patent applications results in Article XIV being purely redundant and mere surplusage, an effect that the Trial Court was not at liberty to cause. This result would be clearly reached under the Trial Court's interpretation for Article V. B. of the Patent Transfer Agreement provides:

B. After commencing the manufacture of the bottle inspecting machines, Meyer will have the sole right to make such machines and also the sole right to sell such machines,. . .  
(Ex. 8)

The prohibition against making identical machines within the scope of Article XIV would also be redundant for the reason that when the subject patent applications issue into patents, selling a substantially identical machine would of course be an infringement thereof. This, coupled with the estoppel of validity attaching to the patent transfer, would prevent IDC from making, using or selling such an identical machine.

Turning finally to the phrase "during the life of this agreement" set forth in Article XIV, the Trial Court properly concluded that the meaning of the phrase is as set forth in Article XIII (Finding of Fact No. 15, R. 1824). Thus, the life of Article XIV was to be a period of seventeen years plus the pendency period of the subject patent applications.

The clear thrust of Article XIV is to prevent IDC from manufacturing machines, not **only** identical with those shown in the subject patent applications, but which are competitive with



such machines, for a period of approximately 22 years. Yet, contrary to the terms employed by the parties, the Trial Court concluded that: (1) since Article XIV refers only to machines covered by the subject patent applications, the whole of Article V. B. was but a mere redundancy not altering the meaning of Article XIV; and that, (2) to the extent that the phrase "during the life of this agreement" appears to extend beyond the pendency period of such applications, it is mere surplusage and Meyer extracted protection only during the pendency period. Referring to the latter conclusion, the Trial Court, apparently having difficulty with its plain meaning, concluded that it was merely inartistic. (Finding of Fact No. 15, R. 1823) However, the Trial Court also noted that the Patent Transfer Agreement was a "committee" effort. (Tr. \*729) It would be easier to accept the Trial Court's conclusion of inartisticness had there been but a single person involved in the negotiation and drafting of the agreement. However, it seems virtually beyond the realm of reason that such inartisticness, if that it be, would escape the efforts of a committee dedicated to a common effort.

The true scope and intent of Article XIV is accurately reflected in the statements of George L. N. Meyer, Sr., president of Meyer from 1945-1962:

[MR. HORN]

Q. And in particular, I would like to ask you, sir, with reference to the paragraph for the item numbered five and ask you what you meant by the words that appear there, namely, 'agree not to compete'.



A. If we purchases the patent, we felt that neither Industrial Dynamics nor the people concerned should compete with us on the machines that we -- machine that we bought and paid for.

Q. Could you expand on that in this regard, do you mean by that they ought not to be able to compete with you by reproducing and offering for sale this same machine that you were buying or one similar to it.

(exchange between attorneys omitted)

A. One similar to it. For the purpose of examining empty bottles with particles in them.

Q. Let me further ask you in this regard, whether you were interested in securing from the Calhoun people an agreement not to manufacture an empty bottle inspection machine that worked on a principle different from the then design of the machine that you and your son inspected?

A. Well, I would say that I think this was in our minds. We are dealing with people we knew nothing of. We knew nothing of the caliber of the people behind Industrial Dynamics. They were strangers to us. If they are holding back ideas at the time they sold this, there would be no sense of buying the patent if they had something they were going to come out with which would throw this out of the window.

Q. In this regard, were you also concerned with that which they might yet design, which they might not as you put it, be held back?

MR. BECKWITH: Do you understand that question: I object to it.

MR. HORN;

Q. Were you concerned, Mr. Meyer, with securing an agreement from Mr. Calhoun and his associates from manufacturing and offering for sale an empty bottle inspection machine which was different from that described in the





patent applications in question, which they had not yet thought of but which they might later think of?

(exchange between attorneys omitted)

A. Well, I think we felt that they shouldn't compete in the field we were buying the patents in. (emphasis added) (George L. N. Meyer, Sr., Deposition, p. 21, l. 5 - p. 24. l. 16)

Following this answer there was a lunch recess.

Following the recess, Mr. Meyer's answers took on a different color. Later in the day Mr. Meyer testified with respect to the manner in which negotiations were carried on between himself and Mr. Calhoun on the non-compete clause. A relevant extract of Mr. Meyer's refreshed testimony is set forth in Appendix D . Mr. Milton Shapiro, who took part in the negotiations preceding execution of the Patent Transfer Agreement, representing a group of financial investors of IDC, confirmed on deposition that Meyer was seeking to prevent competition from IDC via the inclusion of Article XIV. A relevant extract of that testimony is set forth in Appendix E.

Finally, the plain meaning of Article XIV is borne out by the facts subsequent to the signing of the agreement. Neither IDC (Electro-Dynamics Corporation) nor Calhoun, Browning, or any of the companies with which Calhoun or Browning have been associated, have manufactured or sold a bottle inspection machine for detecting foreign particles since September 21, 1959, (Finding of Fact No. 19, 20, R. 1825), whereas Wyman, not being bound by the Patent Transfer Agreement, has subsequently introduced a competitive machine to the market.





In summary, Article XIV has a plain and simple meaning; that IDC was not to make any machines for performing the function of inspecting empty bottles for foreign particles which were competitive with any such machine made by Meyer, for a period of approximately 22 years, anywhere in the world. This is based upon the clear and necessary relationship of the terms employed by the parties and the subsequent performance thereof by IDC, Calhoun and Browning. To give Article XIV any other meaning than that of a traditional non-compete clause would offend that which naturally flows from the provision. In conclusion, the weight of reason, facts and expectations demand that Article XIV be read simply as a non-compete clause.

2. A Patent Is Misused When The Transfer Of Rights Thereunder Is Coupled With A Non-Compete Clause.

It is important to first define the scope of the patent monopoly granted by Congress. The patent grant is defined by 35 U.S.C. §§ 271(a), 112, which statutes are summarized in the established rule that the claims of the patent define the invention that is protectible. The final element of the lawful monopoly is found in 35 U.S.C. § 283, which provides for an injunctive remedy for infringement.

These three statutory code sections provide that the patent owner has the monopolistic right, in accordance with the principles of equity, to exclude another from manufacturing, selling or using

1. The invention which is defined by the claims of the patent,
2. for the file of the patent.



When the patent owner attempts to broaden the scope of the lawful patent monopoly by soliciting the performance of acts beyond the scope of the statutory grant, he runs the immediate risk of having his patent held unenforceable for being misused.

The doctrine of patent misuse is founded upon deep rooted public policies and equitable principles. It is directly related to the "unclean hands" doctrine, that is, a party seeking the aid of the court of equity must come into the court with clean hands. Morton Salt Company v. G. S. Suppiger Co., 314 U.S. 488 (1942). The clean hands required of a patent owner in a patent case must be viewed against the circumstance that he is exerting a monopoly and requesting the court to grant injunctive relief to enforce this monopoly. Consequently, the patent owner, in conjunction with the court, has the power to eliminate competition, to stop a person from manufacturing a product and to drive a person out of business. The issuance of an injunction in the instant case would have driven SME completely out of business as SME's only product is an empty bottle inspection machine. The court's concern with the public interest in free competition, draped against the extraordinary power and effect of the injunction remedy should therefore not be lightly disregarded.

The doctrine of misuse looks toward preventing public harm rather than being wholly concerned with the individual. The nature of the harm protected against is the unlawful expansion of the patent grant detrimental to the public



titlement to competing devices. McCullough v. Kammerer Corp.,  
6 F.2d 759 (9th Circuit 1948).

Individuals are not by private agreement permitted  
expand the scope of a patent. This was clearly explained  
the Motion Picture case (243 U.S. 502 (1917) ) wherein the  
court stated that the extent of a monopoly assertable through  
the use of a patent is defined and limited by the patent law,  
and the patentee will not be permitted to impose any conditions  
which he chooses upon any use of the patent which he may allow.

In United States v. Univis Lens Co., Inc., 316 U.S.  
1 (1942) Chief Justice Stone further clarified this concept  
stating that the particular form by which the monopoly  
sought to be extended is immaterial. And, more recently,  
the case of Hensley Equipment Co., Inc. v. Esco Corp.,  
3 F.2d 252, 260 (5th Circuit 1967), the court stated:

Pursuant to the [patent monopoly] the  
patentee may exploit his exclusive rights  
as he sees fit, but should his exploitation  
exceed means "normally and reasonably adapt-  
ed to secure pecuniary reward for the [patent]  
monopoly," his actions become subject to the  
same restraints as are imposed upon those  
not protected by patent's monopoly, such as  
the antitrust laws. (citations omitted)

Continuing at p. 261, the court relied upon the Morton  
lt case, supra, wherein Mr. Justice Stone stated:

It is the adverse effect upon the public  
interest of a successful infringement suit  
in conjunction with the patentee's course of  
conduct which disqualifies him to maintain  
the suit, regardless of whether the particular  
defendant has suffered from the misuse of the  
patent. . .The patentee, like those other  
holders of an exclusive privilege granted  
in the furtherance of a public policy, may







not claim protection of his grant by the courts where it is being used to subvert that policy." (emphasis added)

Thus, the rationale for patent misuse is based upon containment of the patent monopoly, avoidance of restraints on free competition and the unclean hands of the patentee viewed in the light of his course of conduct.

- a. The Trial Court Erred As A Matter Of Law In Relying Upon A "Reasonableness" Test To Conclude That The '640 Patent Was Not Misused

Although faced with the clear terms of Article XIV, the Trial Court determined that it was "reasonable" for Meyer to protect its original investment in the patent application during the pendency of such applications, and therefore concluded that the inclusion of Article XIV does not amount to a misuse of the '640 patent. (Finding of Fact No. 14, R. 1823; Conclusion of Law No. 4, R. 1832-1833). Apparently, the Trial Court's preoccupation with the alleged fairness of allowing the holder of a patent application to prevent others from inventing "around that application, or invent[ing] something that would be an improvement upon the device in that patent application" (in short, competing), is the root of the Trial Court's erroneous conclusion. (Tr. \*634). It is strongly urged that the Trial Court's application of the fairness or reasonableness standard to the question of patent misuse is clearly erroneous.

The previously cited authorities make it abundantly clear that it is the expansion of the patent monopoly that the doctrine of misuse is designed to prevent. It seems no less



clear that contractual provisions designed to prevent one from inventing "around [a pending application], or invent[ing] something that would be an improvement upon the device in that patent application" confer upon the promisee an extraordinary power of patent monopoly expansion. There is no legal support whatever for the proposition that where the patent monopoly is so expanded, there will be no misuse if the contractual provision operates fairly or reasonably to the promisee. The doctrine of misuse is not concerned with the particular method by which the monopoly is expanded; if the monopoly is expanded, or one is given the power to expand it, that patent concerned is misused. The doctrine of patent misuse does not recognize the Trial Court's self-developed reasonableness test.

Moreover, the courts have looked at the alleged reasonableness of contractually preventing competition during the pendency of a patent application and have concluded that a contractual prohibition against making, using or selling a device in competition with that shown in a transferred patent application amounts to an illegal restraint on free competition. Ammerhays v. Scheu, 10 Cal.App.2d 574, 52 P.2d 512 (3rd District, 1945).

And finally, the Patent Office has more than adequately protected the patent application owner in the event of infringement or threatened infringement by providing special procedures whereby a patent may be promptly issued in the event that there is an infringing device actually on the market. U. S. Department



b. In View Of The Plain Meaning Of  
Article XIV, Meyer Has Misused  
The '640 Patent

To reiterate briefly, Article XIV provides:

Industrial agrees that it will not enter into competition with Meyer in the manufacture or sale of bottle inspection machines during the life of this agreement.

Such clauses are quite common and have been the subject of much litigation respecting their validity with little, if any, question as to their meaning. In the tabulation set forth in Appendix F, there are a number of non-compete clauses listed together with cases in which they were litigated. All of these cases found the clauses in question to be non-compete clauses in the traditional sense. Of particular note are the McCullough v. Kammerer and Berlenbach v. Anderson and Thompson Ski Co. cases decided by this Court. In all of the cited cases, the clauses involved which were held to be non-compete clauses resulted in the patents being declared misused. From a comparison of Article XIV with such clauses, it can be seen that it is substantially identical with those clauses held to be non-compete clauses and which resulted in misused patents. It is particularly worthwhile to compare Article XIV with the licensee clause in the McCullough case. These clauses are essentially indistinguishable. It is submitted that Article XIV is a typical boiler plate non-compete clause





and should be afforded its plain and simple meaning as a non-compete clause.

The case law applicable to the non-compete clause - misuse question derives from the "licensee-non-compete" cases. In such cases the licensor obtains from the licensee a promise to manufacture only the patented device and to not deal in competitive devices. In these situations, the licensor has attempted to justify this provision by stating that it is a reasonable provision necessary to insure that the patent licensee will fully exploit the patent so that the patent holder receives his just reward for the invention. In response to such an argument, the courts have almost universally held the non-compete licensee provisions to be a misuse. The landmark case in the area is National Lock Washer Company v. George K. Garrett Company, 137 F.2d 255 (3rd Circuit 1943), wherein the court restated the grave public interest in patent matters and the necessity for restricting the patent monopoly to the statutory grant, irrespective of the method employed in attempted expansion.

The foregoing doctrine involving the non-compete licensee has also been applied to the exclusive licensee situation. For example, in Park-In-Theatres v. Paramount-Richards Theatres, 90 F.Supp. 730 (D. Del. 1950), affirmed per curiam, 185 F.2d 407 (3rd Circuit 1950), it was held that a non-compete clause given by an exclusive licensee resulted in a misuse. In reaching this conclusion, the court, relying





upon the National Lockwasher Company case, stated at  
100 F.Supp. p. 735:

. . . It is the tendency of the restrictive covenant in the agreement with which this suit is concerned to restrain potential competition from other non-infringement types of drive-in theaters that brings it into conflict with public policy. (emphasis added)

It is well established that there is very little difference, if any, between an exclusive license arrangement and a transfer arrangement such as embodied in the Patent Transfer Agreement. Such agreement included royalty provisions, termination provisions whereby the patent could revert to IDC, patent prosecution clauses, grant-forward provisions and other provisions commonly found in license arrangements.  
Ex. 8)

The Supreme Court held in Waterman v. McKensie, 138 U.S. 252 (1891) that a patent assignment agreement is in substance the same as an exclusive license agreement, and there is no meaningful distinction between the two. Thus, there is no meaningful distinction that can be raised solely because of the differences between a license agreement and the Patent Transfer Agreement.

In comparing the restricted licensee in non-compete cases and the licensor in a non-compete situation, it is clear that a non-competitive restriction imposed upon a licensee has a lesser tendency to discourage invention and research and development than if imposed on a licensor. In most instances,



It is the licensor that is the party with the know-how and ability to invent. If research and development is to be encouraged by the patent law, it is the licensor (the inventor) that must remain free to innovate and compete. Furthermore, in the "licensee situation", there is some scintilla of justification for the non-compete clause with respect to the patent in that it tends to insure that the licensee will exploit the patented device and the licensor will obtain its reward. There is no such justification for including a non-compete clause in the "licensor situation." This reasoning is particularly applicable in the instant case. IDC, Houn and Browning were the designers of the Meyer machine. They were the persons and company capable of research and development. Meyer has maintained that it required the non-compete clause for protection of its investment. It is submitted that the protection which Meyer sought by the non-compete clause was protection from competition.

The courts and writers have concluded that there is no difference or logical basis upon which to distinguish the "licensee non-compete" situation from the "licensor non-compete" situation. In the McCullough v. Kammerer Corp., supra, this Court stated that the licensor's agreement to extend the patent monopoly area by excluding itself from making, using, renting or licensing a competitor's products creates the same prejudice to the public as the restricting agreement with the licensee. Accord: Touchett v. EZ Painter Corp., 150 F. Supp. 384 (E.D. Wis. 1957). From the McCullough case, and



the Scott Paper Company case cited therein, it is clearly seen that it is in the public interest that the licensor be unfettered by restrictions such as non-compete clauses. The import of the policy of leaving the inventor (licensor) free to develop and innovate is succinctly stated in R. Nordhaus and E. Jurow, Patent-Antitrust Law, (1961) at page 8345:

To the extent that an agreement of this character [a non-compete clause restricting the licensor], which is usually coupled with a grant of an exclusive license, prevents a licensor from dealing with unpatented competing goods or processes not covered by the licensed patent, the covenant is wholly outside the scope of the patent grant. This covenant prevents a licensor from acting in fields in which it would otherwise be entitled to act even if the licensee owned the licensed patent outright. Furthermore, it discouraged research, for if the licensor should develop a new invention, it could not be practiced in the event it was competitive to the licensed invention. It should be quite evident that the covenant does not serve in any way to benefit the licensor, but rather serves solely to benefit the licensee through the compete elimination of competition of the licensor. Such an agreement is subject to censure as it is clearly not within the scope of the patent of the licensor.

These established legal principles have been directly applied to the "licensor non-compete" misuse situation in two cases directly on point with the instant controversy. The Court, in the McCullough case, supra, considered the following non-compete clauses:

11. The Licensee covenants and agrees during the term of this license agreement not to manufacture or use or rent any device which will be in competition with the device or devices covered by this license agreement.





12. The Licensor covenants and agrees during the term of this agreement, not to manufacture, sell, rent, license, or use or in any way do business with the device or devices covered by this agreement or petition with the device or devices covered by this agreement.

Article XIV of the Patent Transfer Agreement is virtually identical with the above paragraph 11, and, in substance, identical to the above paragraph 12. This Court stated that these covenants unlawfully extended the monopoly of the licensed patent thereby causing the patent to be misused. Specifically, in considering the effect of the licensor's covenant, this court stated at 155 F.2d 762:

With regard to the licensor's agreement with the licensee to make more certain the licensee's profit by extending the monopoly area by excluding itself from making, using, renting or licensing competitive cutters, such a patent monopoly extension by the agreement of the licensor has the same prejudice to the public as the restricting agreement of the licensee.

This statement has direct application to the instant case wherein the entire company, the transferor (who stands in substantially the same position as a licensor), restricts itself from dealing in competitive devices for a period of approximately twenty-two years (the life of the patent plus the pendency period) in an unlimited geographical area. The public experiences a greater prejudice in this case than that which concerned the court in the McCullough case. Article XIV effectively eliminated IDC, the alleged innovator and creator of the alleged first commercially successful empty



bottle inspection machine, from the field. It discouraged research and development. It enabled Meyer, one of the largest bottle handling equipment manufacturers in the United States, if not the largest, to approach or obtain a monopoly position on another product which forms a part of a bottling line. Thus, the non-compete clause has enabled Meyer to continue to repeat its statement that it is "the only manufacturer of a completely automated and integrated bottling line." (Ex. 35) It is only by the escape of Wyman from the scope of the non-compete clause that Meyer was prevented from perpetrating a total and complete monopoly of empty bottle inspection machines. Thus, the public has been greatly prejudiced by Meyer's use of the non-compete clause.

The most recent case dealing directly with the licensor (inventor-patent transferor) non-compete situation is Touchett v. E Z Paints Corp., supra, wherein the court was concerned with the following non-compete clause:

Touchett [Plaintiff] agrees to be precluded from manufacturing or selling or causing the manufacture or sale of any of the items covered by the foregoing patents or of any paint rollers or paint trays substantially similar to the items covered by said patents provided only that Touchett shall be entitled to manufacture such items upon the request and order of the corporation.

The Court in the Touchett case, citing McCullough, concluded that the patents before it were misused. However, it did not apply the consequences of the misuse doctrine against the misuser because the case involved a licensee and licensor controversy with the party least "to blame" for the



misuse being the plaintiff. Therefore, as an equitable proposition, the Court did not impose the doctrine against the plaintiff in favor of the more blameworthy licensee.

As to this aspect of the Touchett case, the instant case is distinctly different. Here, Meyer, the patent transferee, proposed the non-compete clause and is suing (counter-claiming for infringement) a third party (SME). Meyer is the active party in stifling competition, and it should not be permitted to now further stifle competition.

In summary, the plain and simple meaning of Article XIV is that IDC (and Messrs. Browning and Calhoun via paragraph 4 of the Consultant Agreement) are precluded from competing with Meyer in the manufacture or sale of a machine for inspecting empty bottles for a period of 22 years, in an unlimited geographical area. Thus analyzed, Article XIV unlawfully extends the patent monopoly in two directions:

1. It extends the scope of the monopoly to cover devices outside of the claims of the transferred patent rights, an extension clearly condemned as a patent misuse by the foregoing authorities; and,

2. It extends the period of the non-competition prohibition to include the pendency period of the transferred applications, a prohibition which is not only not provided for by the patent laws, but is, as a matter of law, illegal.

A court of equity should not condone the competition stifling effects of such expansion. The Trial Court clearly erred in failing to conclude that such expansion, under any guise, is a misuse of the related '640 patent.





3. A Patent Is Misused When The Transfer Of Rights Thereunder Is Coupled With A Grant-Forward Clause

Article VIII. A. of the Patent Transfer Agreement

hereafter "Article VIII. A.") provides:

In the event Industrial or its employees during the term of this agreement shall invent or devise any improvement in bottle inspection machines forming the subject of this agreement, it shall promptly disclose the same to Meyer and make such improvements available exclusively to Meyer at no additional royalty. (Ex. 8)

All of the arguments heretofore made with respect to the illegality of non-compete clauses apply with equal force to the foregoing grant-forward clause. A contractual provision whereby the grantee obtains royalty free, exclusive rights in all of the grantor's future inventions in a specific field, or relating to a particular product, effectively eliminates the grantor as a competitor with respect to such product.

The usual situation in the grant of future patent rights pursuant to a patent transfer agreement is one wherein the licensee agrees to license, or to assign back to the transferor, improvement patents relating to the licensed invention. Such clauses are generally referred to as grant-back clauses. The Supreme Court considered such clauses in Transparent-Wrap Machine Corporation v. Stokes and Smith Company, 329 U.S. 637 (1947).

In this case, an action for money damages, not equitable relief, the Supreme Court held in a 5 to 4 decision that it was not legal, per se, to require the licensee to so transfer rights in





improvement patent.

The ruling of the Transparent-Wrap case was based, in part, upon the premise that 35 U.S.C. § 261 permits the assignment of patents and patent applications, and consequently the use of one patent to acquire improvement patents is within the statute since the statute does not limit the consideration that may be employed. The Court also indicated that without a showing of lessening of competition, there could be no anti-trust violation (or misuse) in the grant-back situation. The Court, however, did recognize that there is a possibility that the grant-back clause might very well discourage invention and be a contradiction to the patent law and the underlying policy to promote the progress of science and the useful arts. However, in the Transparent-Wrap case, the Court considered that the provision in the grant back-clause before it that the licensee would be free to use the assigned patents without additional royalties would serve the useful function of supplying a market for the improvement patents. Thus, concluded the Court, such a clause was no deterrent to innovation or invention.

The present case is readily distinguishable from that presented in Transparent-Wrap as the clause herein involved is a grant-forward clause as opposed to a grant-back clause.

According to Article VIII.A., IDC is obligated to assign to Meyer, or to make available exclusively to Meyer, without further royalty payment, any future inventions relating to bottle inspection machines for the term of the agreement, a period of



proximately 22 years. Thus, the grant-forward clause approaches assignment of all of IDC's future inventions relating to empty bottle inspection machines for the detection of foreign articles. There is no provision in the patent laws for the assignment of, or the contract to assign, inventions or patent applications not yet in existence. In this sense, the grant-forward provision goes far beyond the scope of 35 U.S.C. § 261. In this case, as opposed to that presented in the Transparent-Wrap case, there is no provision in the Patent Transfer Agreement for IDC's own use of its improvements or inventions; rather, all such improvements or inventions are funneled directly to Meyer. The result of such a clause must of necessity be to discourage invention by IDC. That this in fact has happened is evidenced by the inventions which IDC and Calhoun have made in the empty bottle inspection machine field since the signing of the agreement, as compared with the inventions which Calhoun has proceeded to make in other fields. The Trial Court found that Messrs. Calhoun and Browning, on behalf of IDC, Ltd., have continued to be active in research and development in electronic applications in the package industry. (Finding of Fact No. 21, 1825) Yet, at a time when SME and others have made significant improvements in empty bottle inspection machines, Messrs. Calhoun, Browning and IDC, Ltd. have not produced a single improvement.

While erroneously stated as a finding of fact, the Trial Court concluded that the provisions of Article VIII.A., and its counterpart in the Consultant Agreement, constitute a reasonable



method by which IDC and Messrs. Calhoun and Browning could dispose of improvements on the bottle inspection machine patent. This conclusion is based on the finding that they could not license or assign these improvements to a third party because a third party would be able to manufacture and sell bottle inspection machines coming within the claims of the basic patents owned by Meyer. (Finding of Fact No. 25, R. 1828-1829) Again, it is submitted that the "reasonableness" test is not a proper element in the determination of misuse in view of the obvious expansion of the patent monopoly effected by Article VIII. A. Moreover, it appears that the Trial Court was persuaded into its conclusion of reasonableness based upon Meyer's argument to the effect that it was reasonable to Meyer to receive such improvements royalty free. It is SME's contention that the focal point of the proper inquiry is whether the public interest is benefitted by such provision, not whether Meyer is benefitted thereby. It is submitted that so viewed, the grant-forward provision is not reasonable. Contrary to the Trial Court's conclusion, had Messrs. Calhoun, Browning and IDC been free to undertake further development, improvements would indeed be valuable in the hands of parties other than Meyer. Sales of the underlying bottle inspection machines would clearly be even more "maximized" if the improvements were available to third parties who in turn could use such improvements as leverage to gain cross-licenses from Meyer, thereby widening the scheme of distribution of the underlying machines. Furthermore, such improvement patents in







the hands of third parties, as well as in Meyer's hands, would tend to perpetuate the marketing outlets for the underlying machines upon expiration of the basic patents.

Thus, it must be concluded that Meyer was not truly concerned with the alleged protection of sales and royalties of the inventors of such proposed improvements but rather was interested in insuring that Meyer, and only Meyer, obtained the benefits thereof to the exclusion of other competitors in the field. As a result, the instant provisions go far beyond those protected in the Transparent-Wrap case and into the area of misconduct amounting to unclean hands and patent misuse which Transparent-Wrap recognized.

C. Meyer Is Guilty Of Unclean Hands With Respect To Its Conduct In Connection With The '640 Patent.

It is well established that the course of conduct in connection with a patent which can lead to patent misuse can take a variety of forms. Activities which have been held to constitute patent misuse include: tying the sale of an unpatented article to that of a patented article; price fixing; exclusive dealership agreements; intentional patent mismarking; charging excessive royalty rates; using the patent to effectively boycott the market; and discriminatory pricing agreements. Cases collected: Shur, Patent Enforcement, Misuse and Antitrust, Chapter III (Lerner Law Book Co., Inc., 1967).

These diversified examples of patent misuse have a common denominator: those benefiting from a patent have conducted themselves in a way which was designed to injure the public by



restraining competition beyond the scope of the patent, by monopolizing or attempting to monopolize a particular market, or by protecting the market in which the patent was effective or discouraging future invention.

In the Morton Salt Company case, supra, the Supreme Court held that a court of equity should appropriately withhold its aid to a patent owner when the conduct involving the patent is contrary to public interest. The issue for the Supreme Court was not whether the defendant was actually injured or whether the antitrust laws were actually violated, or even whether the public was actually harmed. The issue was whether or not the court should come to the aid of a patent owner whose conduct was designed to harm the public.

The equitable doctrine of patent misuse is further emphasized in Kobe, Inc. v. Dempsey Pump Company, 198 F.2d 416 (10th Cir. 1952), when the circuit court held that although one of Kobe's patents was valid and infringed, all of the misconduct that surrounded the Kobe patents would not only render the patents unenforceable but would entitle the defendant to \$500,000.00 in damages. This case is persuasive in that it shows that while each element of a course of conduct, standing alone, may not be unlawful, the unequitable totality of such conduct and its setting is strongly indicative of an unlawful scheme not to be condoned by a court of equity.

1. Meyer's Conduct, As It Affected The Market In Which The '640 Patent Is Operative, Is In Violation Of The Public Interest And Amounts To Unclean Hands.



This Court, acting in equity, must scrutinize Meyer's conduct in the market in deciding whether or not Meyer has the requisite clean hands and is entitled to entertain an infringement suit. The following summary of the facts, set forth in detail at p.13-16 , supra, illustrates that Meyer has pursued a course of conduct in connection with the '640 patent which was designed to restrain competition, discourage inventiveness and monopolize the entire empty bottle inspection machine market.

In 1959, Meyer decided to secure patent applications (one of which resulted in the '640 patent) from IDC, which would give Meyer the right to manufacture and sell what Meyer believed to be the then only commercially acceptable machine for detecting foreign particles in empty bottles. Meyer could have negotiated this purchase in several different ways, but it elected to obtain all of the rights possible. A discussion relating to such acquisitions is set forth in the Encyclopedia of Patent Practice and Invention Management (R. Calvert ed.), at page 50, wherein George E. Frost, the antitrust counsel for General Motors and a leading authority in the field, in an article entitled "Antitrust Law and Patents", states:

In most instances the purchase of patent rights does not bring to a purchaser sufficient market control to raise major problems or a patent of enough importance to alter significantly that market position. Where this is not true, however, consideration should be given to handling the matter in some fashion that does not foreclose continued competitive activity by the seller of the patent. One such way is to acquire a non-exclusive license rather than purchase





the patents. Another procedure may be to purchase the patents with a non-exclusive license back to the seller." (Emphasis added)

Although Meyer was purchasing the patent applications which Meyer believed would have a significant effect on the empty bottle inspection machine market, Meyer did not choose any of the alternatives recommended by Frost. Instead, Meyer chose to acquire the patent rights in a way in which Messrs. Calhoun, Brown and Browning and IDC would be prevented from competing in this particular market in the future. This was effected by the inclusion of the non-compete clauses Articles XIV, V and Paragraph 4 of the Patent Transfer and Consultant Agreements, respectively.

In case these two non-compete clauses would be insufficient for Meyer to completely tie up the empty bottle inspection machine field, Meyer also added the right of first refusal and grant-forward clauses in the Patent Transfer and Consultant Agreements, a combination which not only goes beyond the scope of the original patent application but also beyond the scope of the empty bottle inspection machine market to include any invention...relating to electronic applications for the packaging industry,..." (Ex. 8, Article VIII.C.)

It is not difficult to see what plan Meyer was attempting to carry out. If Meyer could secure what at that time, in its judgment, were the only significant patents in the field and at the same time lock up the creative technological talent in this field by consultant agreements with non-compete,





ant-forward and right-of-first-refusal clauses, Meyer would  
ve a monopoly in this particular market for a substantial  
ount of time.

If more proof of Meyer's persuasive plan is necessary,  
ch can be found in a letter of May 5, 1960 from R. E. Antholine,  
officer of Meyer, to Calhoun. (Ex. 28) The letter was sent  
ter Meyer realized that they had encountered their first  
mpetition -- from a machine designed by Wyman. Wyman was not  
compassed within the scope of either the Patent Transfer  
reement or the Consultant Agreement since he had left IDC  
ior to the Meyer patent acquisition.

The letter states:

I am not familiar with the patent situation  
so will not comment as this will have to be  
resolved by the attorneys anyway; but I cer-  
tainly never expected any such development  
from a member of your team at the time we  
began negotiations and note that you will  
prosecute if he is breaching his contract  
or infringing. (Emphasis added)

This letter is extremely significant in that it  
ows unequivocally that Meyer was extremely disappointed and  
oarently surprised when they realized that they had a  
mpetitor in the empty bottle inspection market. Apparently  
ver had thought that the result of the negotiations with  
lhoun and Browning was that there would be little chance of  
mpetition in this field from IDC or any of its principal people.  
ce competition was discovered, Meyer and Calhoun sought means  
prosecute Wyman. Meyer and Calhoun considered the Wyman



mination Agreement, broadened an existing patent application, led a broadened continuation application, and filed a new patent application on a stale, only partially conceived idea.

This attitude of Meyer and Calhoun toward eliminating competitors did not end with Wyman. As late as August 12, 1964, Calhoun wrote a letter to Meyer (Ex. 32) which so significantly illustrates their business designs that it must be quoted in detail:

During your recent visit we discussed the Mark IV patent situation...Industrial Dynamics' position, verified at a recent board meeting, on possible infringement of its product by other companies, will be as fast and as ruthless as possible....It is our aim to establish a reputation of attacking anyone as viciously as possible who infringe or possibly could infringe any of our patents... (Emphasis added)

After reviewing the two competitive systems, I think the unit produced by San Marino Electronics falls more nearly within the general scope of the Mark IV claims. The Barry-Wehmiller unit invented by Wyman, though covered in a broader sense, certainly deviates further from our teachings than the San Marino unit. I realize that Barry-Wehmiller is hurting the overall sales picture more than San Marino, but I feel it would probably be wiser to tackle San Marino first while B.W. tries to second guess the next move. This is true for all the following reasons:

\* \* \*

2. San Marino is smaller and financially unable to cope with a court fight;...

3. Crown-Cork represents San Marino and there may be a possibility of scaring them off, if they think that may be involved in a court action on a unit that isn't theirs.

\* \* \*

6. Finally, I think the trend of attacking competitors could be established much cheaper with a higher probability of success... (Emphasis added)



In response to this letter, the president of Meyer  
sent the following letter of August 17, 1964 (Ex. 33):

Dear Fred:

Many thanks for your letter of August 12  
re patents. I am glad to see you have altered  
your position somewhat. After our return from  
California, I asked our patent attorneys to  
take action against:

1. San Marino in California
2. Barry-Wehmiller in St. Louis, and,
3. Barry-Wehmiller in England.

I concur that one must use his patents to  
prevent competition or it is useless to obtain  
them. (Emphasis added)

As further evidence of Meyer's illegal web of  
exclusivity in the empty bottle inspection market, the Court's  
attention is invited to the only license Meyer has been willing  
to negotiate in connection with the empty bottle inspection  
machine patent. This license was to the Mitsubishi Company of  
Japan and gave Mitsubishi the exclusive rights to manufacture  
and sell the empty bottle inspection machine in Southeast Asia,  
in return for which, Mitsubishi was required to:

1. Not compete with Meyer;
2. Not dispute the validity of any patent issued  
by Meyer relating to the licensed empty bottle inspector; and,
3. Advise Meyer of and license, royalty free, all improve-  
ments made on the licensed product. (Ex. 37, 38) Without going  
into further detail, such protection goes considerably beyond the  
aims of the U. S. patent owned by Meyer and further illustrates





yer's monopolistic plan to control the entire empty bottle inspection market.

Being able to exploit a patent monopoly is a grant special privilege. For Meyer, a purchaser, not an inventor, exploit such a monopoly privilege (by maintaining an infringement action against the only two competing manufacturers of empty bottle inspection machines) it must come into court with clean hands. This, indeed, is not the case:

(1) Meyer's conduct was clearly designed to eliminate competition by precluding competition from an entire company (IDC) and specifically Messrs. Browning and Calhoun:

(2) Meyer's conduct was designed to monopolize the empty bottle inspection machine market by attacking "anyone as maliciously as possible who infringe or possibly could infringe" the patent and by filing and broadening patent applications on a wide idea to cover competitive equipment; and,

(3) Meyer's conduct injured the public by discouraging future creativity and invention by requiring IDC, and Messrs. Browning and Calhoun to assign to Meyer, royalty-free, any patentable improvements made on the empty bottle inspection machine.

It must be concluded that the Trial Court erred in failing to conclude that the totality of such conduct, perpetrated by the dominant force in the bottle handling field, is flagrantly adverse to the public interest and should, therefore, not be condoned. It must be further concluded that, in view of Meyer's



pansion of the patent monopoly amounting to a misuse of the '640 patent and its unclean hands with respect thereto, the Trial Court erroneously awarded the costs of litigation incident to trial on the misuse issue to Meyer.

Meyer Has Not, And Cannot, Now Purge Its Misuse

The Patent Transfer Agreement was in full force and effect at the time of the filing of the Complaint in this suit and until June of 1966, when the closely related Calhoun (Meyer's only technical expert witness during trial of this controversy) and Meyer entered into an agreement in an attempt to dissipate the effects of Article XIV. On or about June 23, 1966, IDC (which by change of name was then called Electro-Dynamics Corporation) and Meyer entered into an agreement pursuant to which Article XIV was rescinded and declared null and void. (Finding of Fact No. 11, R. 1822) No attempt was, or has been, made to change, rescind or erradicate the effects of the grant-forward clause VIII.A. The Trial Court concluded that in view of the 1966 agreement, Article XIV cannot presently impair Meyer's right to protect the '640 patent. (Conclusion of Law No. 8, R. 834) Such conclusion is clearly erroneous in view of the established legal principles.

It is submitted that the effect and substance of a non-compete clause which has existed for seven years and has given its beneficiary a seven year period in which to obtain market dominance cannot be eliminated by the act of two "friends" and now mutually interested parties combining to effect the 1966 agreement. The damage to



petition that has been caused over the past seven years cannot be reinstated by so trivial an act. This act by Calhoun and Meyer itself evidences the malum in se nature of the clause.

The Morton Salt case, supra, set down the well established rule that the improper practice forming the basis of patent misuse must be abandoned and the consequences of the misuse must have been fully dissipated before the patent can again be enforced. Accord: Chemical Co. v. Ellis, 314 U.S. 495 (1942).

With IDC out of business and the structure of the bottle inspection machine market fairly well settled, the modification of the Patent Transfer Agreement is meaningless and useless in dissipating the effects of the misuse. At this time, it is unfortunate that life could again be instilled in the defunct IDC. IDC is in a very poor position to reenter the market in view of the relationship between Calhoun and Meyer. Meyer distributes substantially all of Calhoun's products; Calhoun's present company does research and development on such machines for Meyer; and, the grant-forward clause (Article VIII.A.) requires that all of IDC's future inventions be funneled directly to Meyer. Thus, the evils sought to be accomplished by the non-compete clause, coupled with the transfer of the patents in question, has been perpetrated and the modification of the agreement is wholly ineffective to remove the wrong committed. It is, therefore, submitted that the Trial Court clearly erred in concluding that Article XIV cannot presently impair Meyer's right to protect the '640 patent.





The Result of Meyer's Course of Conduct Is The Imposition  
Of Such A Gross Injustice Upon SME As To Warrant An Award  
Of Attorney's Fees

1. An Appellate Court Will Disturb The Lower Court's Conclusion Regarding An Award Of Attorney's Fees In Proper Cases.

It is, of course, well settled that the award of attorney's fees in patent cases is discretionary with the Trial Court. This Court, in the case of Dubil v. Rayford Camp and Co., 34 F.2d 899 (9th Circuit, 1950) stated:

It is not the duty of the reviewing court to interfere with the discretionary power confided to the trial courts by Congress to award attorneys' fees in proper cases except where there is an abuse of discretion amount to caprice or an erroneous conception of law on the part of the trial judge.

[Citations omitted] (Emphasis added)

Thus, it is not only entirely proper for an appellate court to entertain an appeal on the basis of a failure to award attorney's fees or expenses of suit (Duff-Norton Company v. Ratcliff, 362 F.2d 551 (9th Circuit, 1966)) but, in proper cases, to award attorney's fees where the trial court had erroneously failed to do so. Seismograph Service Corporation v. Offshore Raydist, Inc., 33 F.2d 5, (5th Circuit, 1959). Accordingly, it is SME's contention that, based upon an erroneous conception of the law relevant to the instant controversy, the Trial Court abused its discretionary powers in failing to award SME its attorney's fees, thereby committing error rectifiable by this Court.

2. An Award Of Attorney's Fees To The Prevailing Party Is Proper Where The Losing Party Pursued A Course Of Inequitable Conduct

35 U.S.C. § 285 provides that a court, in exceptional cases,





y award reasonable attorney's fees to the prevailing party  
in patent cases.

This Court, in the case of Talon, Inc. v. Union Slide  
Fastener, Inc., 266 F.2d 731 (9th Circuit, 1959), considering  
285, stated that this section, enacted in 1952, adopted the  
language of the repealed 35 U.S.C. § 70, except that the wording  
"exceptional cases" was substituted for "in its the Court's  
discretion." This change was explained by the revisers as  
merely expressing the intent of 35 U.S.C. § 70, as shown by its  
legislative history and as interpreted by the courts. Prior to  
its decision in the Talon, Inc. case, this Court, in the case of  
Mark-In-Theaters, Inc. v. Perkins, 190 F.2d 137 (9th Circuit, 1951)  
considered the proper basis of an award under 35 U.S.C. § 70 and stated:

Congress made plain its intention that such fees  
be allowed only in extraordinary circumstances...  
the exercise of discretion in favor of such an  
allowance should be bottomed upon a finding of  
unfairness or bad faith in the conduct of the  
losing party, or some other equitable consider-  
ation of similar force, which makes it grossly  
unjust that the winner of the particular lawsuit  
be left to bear the burden of his own counsel's  
fees which prevailing litigants normally bear.  
(Emphasis added)

Furthermore, this Court stated impliedly in Daybrite Lighting, Inc.  
v. Ruby Lighting Corp., 191 F.2d 521 (9th Circuit, 1951), in  
reversing the Trial Court's award of attorneys' fees to the  
prevailing party, that such an award can, in proper and  
exceptional circumstances, be based upon a showing of the  
 requisite unfairness or bad faith in the conduct of the losing  
party as well as a specific trial court finding to that effect.



In determining what are and what are not "exceptional circumstances" and whether or not there is "unfairness or bad faith in the conduct of the losing party", the courts while focusing upon the totality of the conduct of the losing party, have based awards of attorney's fees on such conduct as: patent misuse<sup>1</sup>; fraud on the United States Patent Office in patent acquisition<sup>2</sup>; reliance on late presented claims in attempted enforcement of the patent<sup>3</sup>; and other inequitable and unfair practices<sup>4</sup>. It is SME's contention that Meyer's course of conduct, from the time of its acquisition of rights under the patent in suit up through trial on the merits of the instant controversy, encompasses each of these elements. Accordingly, it is submitted that had the Trial Court herein properly applied established legal principles to the evidence before it, it would have, and should have, awarded SME its attorney's fees.

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Talon, Inc. v. Union Slide Fastener, Inc., supra; Clapper v. Original Tractor Cab Co., Inc., 165 F.Supp. 565 (SD Ind. 1958), modified, 270 F.2d 616 (7th Circuit, 1959), Cert. denied, 361 U.S. 967.

Dubil vs. Rayford Camp and Co., supra; Pennsylvania Crusher Co. v. Bethlehem Steel Co., 193 F.2d 445 (3rd Circuit, 1951); Sarkes-Parzian, Inc. v. Philco Corp., 351 F.2d 557 (7th Circuit, 1965); Huff-Norton v. Ratcliff, supra; Stock Equipment Co. v. Beaumont Larch Co., 140 U.S.P.Q. 134 (ED Penn. 1963); Monolith Portland Midwest Co. v. Kaiser Aluminum Corp., 267 F.Supp. 726 (CD Calif. 1967).

Crown Machine and Tool Co. v. KVP-Sutherland Paper Co., 155 U.S.P.Q. 99 (ND Calif. 1967); Oelbaum v. The Lovable Co., 211 F.Supp. 594 (SD N.Y. 1962).

General Motors Corporation v. Cadillac Marine and Boat Co., 226 F.Supp. 716 (WD Mich. 1964); Monolith Portland Midwest Co. v. Kaiser Aluminum Corp., supra.





3. Since Its Acquisition Of Rights In The '640 Patent, Meyer Has Pursued A Course Of Inequitable Conduct Evidencing Such Bad Faith As To Warrant The Imposition Of Attorney's Fees.

a. Meyer Has Misused The '640 Patent And Is Guilty Of Unclean Hands In Connection Therewith.

The question of Meyer's misuse of the '640 patent and its unclean hands with respect thereto has been exhaustively treated hereinbefore. In view of such discussion, it is submitted that the Trial Court, laboring under an erroneous conception of the law surrounding the doctrine of misuse and unclean hands, erred in failing to find the '640 patent misused, and, thereby, on the basis of the criterion set forth by this Court in the Dubil and Alon cases, supra, abused its discretionary powers in failing to award SME its attorney's fees incident to this litigation.

b. Meyer Committed A Fraud On The United States Patent Office During Prosecution Of Applications Resulting In The '640 Patent.

SME's summary contentions herein are that Meyer perpetrated a fraud on the Patent Office during prosecution of the continuation application resulting in the '640 patent by:

(1) Withholding known prior art from the Patent Office, which prior art was more relevant than that cited by the Patent Office for the point contended, while relying upon features disclosed by such prior art in attempting to distinguish the alleged invention residing in the '640 patent over other prior art cited by the Examiner; and,

(2) Misrepresenting the extent of the alleged commercial success enjoyed by machines corresponding to the teachings of the '640 patent.





This Court, in the Duff-Norton Co. case, supra, indicated that fraud practiced on the Patent Office by withholding own, relevant prior art would be a proper basis for the award attorney's fees in a patent litigation. And further, in the bil case, supra, while remanding the case because the basis the trial court's award of attorney's fees was not clearly stated, this Court indicated that where a patent was granted upon material misrepresentations made to induce issuance thereof, such fraud would be a sufficient basis for the award of attorney's fees incident to litigation of such patent.

Turning to the instant controversy, the Trial Court concluded that on each of the foregoing contentions, Meyer was not perpetrated a fraud on the Patent Office. (Conclusion of No. 14, R. 1956-1957) It is submitted that in view of the evidence before the Trial Court, the Trial Court misapplied established legal principles controlling determinations of fraud on the Patent Office and therefore erred in reaching its conclusion.

It is well established that fraudulent or inequitable conduct with respect to proceedings before the United States Patent Office is not to be condoned. Although not uniform of development, the principles of application of the equitable doctrine of fraud to patent matters have been clearly defined. It is submitted that, contrary to the erroneous conclusion of a few courts, the equitable doctrine of patent fraud is not that of the classic fraud, wherein reliance on a given



misrepresentation is a necessary element, but rather is focused upon the totality of an applicant's conduct as opposed to any single misrepresentation upon which the Patent Office may have relied in issuing the patent. The patent monopoly is of such grave importance that one who has demonstrated a lack of good faith or inequitable conduct in the acquisition of a patent should not be allowed the monopolistic benefits thereof. Indeed, this approach has been accepted and stated by the Supreme Court of the United States in the case of Precision Instrument Mfg. Co. v. Automotive Maintenance Machine Co., 324 U.S. 806 (1945). In that case, wherein the plaintiff sought to enforce a patent, the rights to which they had purchased with full knowledge that the applicants therefor had falsely stated the dates of their conception, disclosure and reduction to practice, the Court states:

The guiding doctrine in this case is the equitable maxim that 'he who comes into equity must come with clean hands.' This [doctrine] is a self-imposed ordinance that closes the doors of a court of equity to one tainted with inequity and bad faith relative to the matter in which he seeks relief...this maxim necessarily gives wide range to the equity court's use of discretion in refusing to aid the unclean litigant. It is 'not bound by formula or restrained by any limitation that tends to trammel the free and just exercise of discretion.' (Citations omitted)

Accordingly, one's conduct need not necessarily have been of such nature as to be punishable as a crime or as to justify legal proceedings of any character. Any willful act concerning the cause of action which rightfully can be said to transgress equitable standards of conduct is sufficient cause for invocation of the maxim.



The far reaching social and economic consequences of a patent, therefore, give the public a paramount interest in seeing that patent monopolies spring from backgrounds free from fraud or other inequitable conduct.  
(Emphasis added)

The requisite inquiry imposed by the Precision case is clearly directed to the question of whether or not this particular patentee has done all he can to insure that the public is not saddled with a monopoly unfairly or inequitably acquired.

It is well established that the practice of fraudulently withholding anticipatory prior art is to be condemned. Every applicant is under the clear duty to come forward with known relevant prior art during prosecution of his application when the Examiner fails to bring forth the same or equivalent art. A violation of that duty is a fraudulent practice. United States v. Standard Electric Time Co., 155 F.Supp. 949 (D.Mass. 1957), appeal dismissed, 254 F.2d 598 (1st Circuit, 1958); Admiral Corp. v. Zenith Radio Corp., 296 F.2d 708 (10th Circuit, 1961). With regard to the instant controversy, SME contends that Meyer has not only disregarded its duty to come forward with known prior art but, in addition, has clearly misrepresented its position with respect to such prior art.

The more recent cases of Triumph Hosiery Mills, Inc. v. Alamance Industries, Inc., 191 F.Supp. 652 (ND N.C. 1961), affirmed in part and reversed in part, 299 F.2d 793 (4th Circuit, 1962), cert. denied, 370 U.S. 924 (1962) and Minnesota Mining and  
71.





Eg. Co. v. Projection Optics Co., Inc., 256 F.Supp. 354 (WD N.Y. 1966), have considered the question of withholding prior art and material misrepresentations as fraudulent practices upon the Patent Office. In the Triumph Hosiery Mills case, an action for declaratory relief, the trial court struck down the patent in suit because the defendant knew of the similarities of their alleged invention and the uncited prior art, yet pointed out the same points of their invention as different from other prior art. The trial court concluded that nondisclosure of the pertinent art was fraudulent. In support of its holding, the trial court relied upon Armour and Co. v. Wilson and Co., 168 F.Supp. 353, 359 (ND Ill. 1958), affirmed in part, reversed on other issues, 274 F.2d 143, (7th Circuit 1960), wherein that court stated, "The patent was secured after furnishing the Patent Office with false and misleading evidence and statements, and this invalidates the...patent." Although the appellate court in the Triumph Hosiery Mills case reversed the findings of fraud, the appellate court's decision may be distinguished from the instant controversy. That appellate court found:

(a) That testimony by the defendant's attorneys that the uncited art was, in fact, brought to the attention of the Patent Examiner was improperly excluded from the trial; and,

(b) The appellate court considered the sum of the cited art equivalent to that art which was not cited, a finding clearly contrary to the findings of the Trial Court herein. Finding of Fact No. 11, 15(a), R. 1942, 1944)





In like manner, the court's reasoning in the Mnesota Mining and Mfg. Co. case is most persuasive. Again, the trial court struck down the patent in suit for the applicant's failure to come forward with known prior art. In holding the patent unenforceable because of the plaintiff's inequitable conduct, the court reasoned thusly: the state of the art was not made known to the Examiner when the inventor was attempting to show his discovery; the very feature urged so strenuously to the Patent Office as a distinguishing feature over the prior art is a feature clearly shown by the withheld art; and when threatened rejection on the basis of the cited prior art, the inventor relied upon the feature shown by the withheld art in order to obtain the patent.

With regard to the instant controversy, SME contends that Meyer has not only disregarded its duty to come forward with known prior art but, in addition, has clearly misrepresented its position with respect to such prior art thereby, in accordance with the foregoing authorities, committing fraud upon the Patent Office.

The file history of the continuation application, prosecuted by the attorneys representing Meyer in the instant controversy on behalf of Meyer, is replete with arguments that the invention described therein embodies a "centered [optical scanning] system". During prosecution of the application, Meyer distinguished such embodiment from prior art cited by the Examiner by stating that the scanning systems taught by the cited Storate



tent No. 2,636,602 is "contrasted to the centered system disclosed and claimed by applicant..." (Ex. 41, p. 396) While it appears to be true that Stoate '602 does not teach the centered system, a British patent issued to the same Stoate, No. 517,229, accepted January 24, 1940, does so teach. The Stoate '229 patent was known to Meyer during the course of the proceedings before the Patent Office while Meyer was arguing that the centered optical system was an important and novel part of the invention disclosed and claimed by Meyer and that Meyer was the first to include the centered optical system for the bottle inspection machine disclosed and claimed by Meyer. (Finding of Fact No. 15(a), 1944; Tr. 2669-70) The Stoate '229 patent was brought to Meyer's attention during prosecution of a foreign counterpart of the '640 patent before the patent office of Great Britain.

Turning to another concept of withheld prior art, Meyer's knowledge of the prior employment of Messrs. Calhoun and Williams is particularly relevant to Meyer's bad faith or inequitable conduct in failing to come forward with known prior art. The file history of the continuation application contains lengthy arguments wherein the Examiner contended that Macleish patent No. 2,931,912, in combination with Stoate '602, constituted anticipatory prior art in the use of the inspection principles disclosed by the patent in suit. Meyer argued that the Macleish '912 patent is not relevant to empty bottle inspection machines and that the combination was not anticipatory. Macleish '912 teaches the use of scanning discs (reticles) and



ght energy sensitive discriminating systems for use in tracking guided missiles. The Examiner argued that the use of the equivalent of the Macleish of the '912 scanning system in an empty bottle inspection machine, in combination with the Stoate '02 disclosure, even though different in application, would be obvious. (Ex. 41, p. 378) While arguing that such an application is not obvious, Meyer failed to disclose that both Calhoun and Williams were intimately familiar with similar missile tracking, guidance and scanning systems.

In view of the above circumstances, it is difficult to imagine that Meyer's failure to come forward with this knowledge is anything short of bad faith or inequitable conduct. However, without rendering a relevant finding as to the prior technical knowledge and employment of Messrs. Calhoun and Williams, the Trial Court concluded that Meyer's attorneys were not, at the time of the foregoing argument, convinced that the Stoate '229 patent actually disclosed a centered optical system, and that Meyer did not practice any fraud by any failure on its part to call the Stoate '229 patent to the attention of the Patent Office. (Finding of Fact No. 15(a), R. 1945) It is SME's contention that the foregoing conclusion is clearly erroneous. There was no evidence before the Trial Court even tending to prove that Meyer's attorneys were not convinced of the true disclosure of the '229 patent. It is submitted, however, that in reaching such conclusion, the Trial Court placed unwarranted weight on the representation of one of Meyer's attorneys, made in







and not as a witness' testimony, to that effect. (Tr. 2513-2514)  
It is not SME's purpose herein to cast doubt upon the credibility  
of Meyer's attorneys; however, such representation cannot be  
allowed to stand as the sole support for the Trial Court's  
conclusion for the following reasons:

(a) The representation was made without benefit  
of independent corroborating evidence; nor was any offer of proof  
made or suggested by the representing attorney;

(b) Since the representation came from one not  
a witness in the proceedings, SME had no opportunity for examination  
into the factual basis for such representation, a factual basis  
which is peculiarly within the knowledge of the attorney; and,  
perhaps most importantly,

(c) The Trial Court's conclusion is apparently  
based upon the determination that the attorney was not speaking  
in bad faith; a clearly erroneous determination when the  
evidence before the Trial Court, and the established legal  
principles, dictate that the proper inquiry is into the wrongful  
conduct demonstrated by Meyer during prosecution of the continuation  
application and not into the unsupported declaration of Meyer's  
attorney at trial.

Accordingly, in the light of the authorities  
cited and the evidence before the Trial Court, it is contended  
that Meyer's failure to come forward with known anticipatory prior  
art, amplified by Meyer's misrepresentation of its position with  
respect to such prior art, constitutes such fraudulent or



equitable conduct as to warrant the award of attorney's fees  
SME. In additional support of this contention, it is  
submitted that the court's perspective in the Stock Equipment Co.  
case, supra, is most persuasive. That court stated at 140  
S.P.Q., p. 137:

But whether [the patentee's] Patent Office  
activities were motivated by a deliberate  
desire to deceive, or are assessed in a more  
charitable light, is not too important.  
Whatever be the true reason, it is fair to  
conclude that the...patent would not have  
issued if the Patent Office had been  
apprised of defendant's earlier valve.  
Even though [the patentee] be given the  
benefit of the doubt, the fact remains that  
the trouble and expense which defendant has  
been put to in defending the present suit has  
been the result of [the patentee's] inexcusable  
conduct in his patent prosecution.

While the Stock Equipment Co. case dealt with slightly different  
knowledge by the patentee, the thrust of the court's reasoning  
nevertheless remains applicable to SME's contentions. In view  
of Meyer's reliance on the "centered system" and DC rejection  
concepts during prosecution, the Examiner's rejection arguments,  
and the Trial Court's determination as to the anticipatory  
nature of the Stoate '229 patent, it is fair to conclude that  
the '640 patent would not have issued had the '229 patent not  
been withheld. Thus, SME would not have had to bear the burden  
and expense of defending against the ill-gotten '640 patent.  
SME should not now be required to bear that burden.

In the continuum of its inequitable and bad faith  
conduct before the Patent Office, Meyer, in an attempt to  
favorably resolve the close question of novelty, and hence



tentability, misrepresented the extent of the commercial success enjoyed by machines corresponding to the invention allegedly defined by the '640 patent.

On but a brief review of the file history of the '640 patent, it should be clear to the Court that the question of invention and patentability was extensively argued during prosecution of the continuation application; the patent being granted only after Meyer filed a notice of appeal and an appeal brief with the Board of Patent Appeals.

In an effort to sustain its contention of novelty of the invention, Meyer represented to the Patent Office in an amendment to the continuation application dated December 26, 1962, that "Applicant's system has been installed in most of the bottling plants of the United States and has been operating successfully for an extended period of time." (Emphasis added) (Ex. 41, page 397) In fact, only four or five of the Mark II empty bottle inspection machines were ever sold. (Tr. 967) Admittedly, more than four or five of Meyer's Mark IV machines, those machines incorporating the improvements of Meyer's '666 patent, were sold. However, even if it be conceded that Meyer's allegation of commercial success before the Patent Office is to be interpreted as including sales of Meyer's improved Mark IV empty bottle inspection machine, it is contended that such allegation of commercial success is still false and misleading. Royalty report No. 6, dated January 9, 1963, from Meyer to Electro-Dynamics Corporation (successor to IDC) (Ex. 60) discloses that as of





ember 31, 1962, only 406 of the Mark IV empty bottle inspection machines were sold. According to statistics released by the United States Department of Commerce, there were, in 1963, 746 establishments primarily engaged in bottling fluid milk and cream, soft drinks, and all kinds of malt liquors, in the United States. It was stipulated that of these 8,746 establishments, only approximately 7,500 of them would be equipped to utilize the Meyer machine. (Tr. 971, 1025-1026)

presented in a light most favorable to defendant, i.e., that each Meyer's sales represents installation in a different bottling plant, the foregoing sales and census figures indicate that less than .07% of the bottling plants in the United States purchased the Mark II machine and that less than 6% of the bottling plants in the United States purchased the Mark IV machine. It is readily seen that Meyer's sales figures do not represent sales in "most" of the bottling plants in the United States. Meyer attempted to rebut the damaging effects of the foregoing comparison with Calhoun's testimony to the effect that counsel preparing the amendment should probably have stated that "applicant's system has been installed in the plants of most of the bottling companies in the United States". SME's only response to such attempted rebuttal is that since the amendment in question, and its contents, are presumably the result of facts related by Calhoun, Calhoun cannot now be heard to justify that which was misrepresented before the Patent Office.

It is SME's contention that the misrepresentation





the Patent Office concerning the commercial success of apparatus allegedly corresponding to the teachings of the patent sought amount to precisely that type of inequitable or fraudulent conduct clearly condemned by the Precision Instrument Mfg. Co. v. Triumph Hosiery Mills, Inc., cases, supra. The conclusion is inescapable that Meyer, a leader in the field of manufacture and sales of equipment relating to the bottling industry, must have known that its sales figures did not represent sales to "most" of the bottling plants in the United States.

It is well settled that evidence of commercial success is useful only to buttress an otherwise weak showing of invention or novelty. However, where, as in the instant controversy, the patent Examiner has argued strenuously against the issuance of a patent on the basis of lack of invention, the achievement or non-achievement of the commercial success of the invention ascribed may well be a critical issue. It must be assumed that Meyer's allegation of commercial success was designed to meet this specific objection of the Examiner, else such allegation would be meaningless and superfluous. It must also be assumed that Meyer was aware of the foregoing statistics. The inescapable conclusion is that Meyer intentionally misrepresented the commercial success of the machine allegedly corresponding to the teachings of the patent sought, in order to gain issuance of the patent -- a course of conduct clearly fraudulent or inequitable.

In connection with the question of Meyer's sales, it is to be noted that early in 1958 the first Mark II machine was



ld. Thereafter, later in 1958, the Mark IV machines were sold  
IDC. It was not until October 5, 1960, the filing date of  
e continuation application, that those claims, upon which  
yer has relied and contends define invention, were first  
esented to the Patent Office. As is required, Meyer submitted,  
th the continuation application, an oath that it neither knew  
r believed that its invention had been in public use in the  
ited States for more than one year prior to filing its patent  
plication. SME contends hereinafter that the claims contained  
the continuation application should be accorded a filing date  
earlier than October 5, 1960. Viewed in this light, SME  
erefore contends that the filing of Meyer's oath also amounts  
a fraud on the Patent Office. Walker Process Equipment, Inc.  
Food Machinery and Chemical Corp., 382 U.S. 197 (1965).

While nevertheless maintaining that each of the  
regoing contentions is individually sufficient to sustain the  
quisite showing of Meyer's bad faith and unfair conduct in  
quiring the patent in suit, SME contends that the primary focal  
int should be the totality of Meyer's conduct during the  
osecution of the continuation application. Precision Instrument  
Manufacturing Co. v. Automotive Maintenance Machine Co., supra;  
Walker Process Equipment, Inc. v. Food Machinery and Chemical Corp.,  
supra; Monolith Portland Midwest Co., supra. As indicated in  
e Precision case, the public has such a great interest in  
tent matters that it would be grossly unjust to not only saddle  
e public with a monopoly obtained as a result of manifest bad





faith and inequitableness, but to also require SME to bear the burden of its expenses in defense against a patent wrongfully acquired by Meyer.

It is difficult to imagine a course of conduct more inequitable than that of Meyer in the instant case. In the face of the duty to come forward with known relevant prior art, so explicitly set forth by the authorities, Meyer not only disregarded its duty but intentionally misrepresented its position with respect to such prior art -- a practice specifically struck down in the Minnesota Mining & Mfg. Co. case. Further, when faced with specific objection by the Examiner, i.e., lack of invention, to the issuance of the patent in suit, Meyer grossly overstated the commercial success of its machine. With regard to the oath of non-sale within one year of the continuation application submitted by Meyer, the implication is clear -- the patent in suit would not have issued without such an oath.

There was no evidence before the Trial Court to support that court's conclusion that Meyer's attorneys were not convinced of the relevancy of the Stoate '229 patent. The Trial Court amply stated the relevance and anticipatory nature of such patent. There was no evidence before the Trial Court adequately justifying Meyer's misrepresentation of commercial success. It is therefore submitted that, in relying upon the asserted good faith of Meyer's attorneys' representation in open court to the apparent exclusion of all else including Meyer's knowledge of the Stoate '229 patent, the Trial Court, laboring under an erroneous





ception of the law, clearly erred in failing to find that  
yer had, in fact and law, perpetrated a fraud on the Patent  
fice. Accordingly, it is contended that such fraud and  
equitable conduct by Meyer as should have been properly found  
arrant an award of attorney's fees to SME in accordance with  
e cited authorities.

- c. At Trial, Meyer Relied On Claims That Are Invalid Because  
They Were First Presented To The Patent Office More Than  
One Year After A Public Use And Sale, Or After The  
Intervention Of An Adverse Public Right.

In view of the criterion for the proper award for attorney's  
es set down by this Court, it is SME's contention herein that  
yer's reliance on late presented claims in its attempted  
forcement of the '640 patent is, by itself, and in conjunction  
th the remaining elements of Meyer's course of conduct, an  
ceptional circumstance amounting to an inequitable imposition  
such force as to make it "...grossly unjust that... [SME]...  
ar the burden of [its] own counsel fees...." Park-In Theaters,  
c. v. Perkins, supra. Accord, Oelbaum v. The Lovable Co.,  
supra; Crown Machine and Tool Co. v. KVP-Sutherland Paper Co.,  
supra.

Based upon its prior conclusions with respect to the  
lidity of the '640 patent, the Trial Court below did not rule  
on SME's contentions that the claims thereof at issue, Claims  
through 15, 17 through 24, inclusive, are invalid because they  
re filed more than one year after public use began. (Conclusion  
Law No. 17, R. 1957) As will be set forth hereinafter, the  
ial Court did have before it evidence and the arguments of



counsel sufficient to sustain SME's contentions. It is submitted that the Trial Court should have ruled upon SME's contentions and, further, that it is proper for this Court to entertain such contentions on appeal.

Admittedly, the Trial Court was under no binding duty to rule upon the question presented, nor is this Court subject to any such rule. However, relying on the grave import of patent matters in view of the public interest therein, this Court, in the case of M.O.S. Corp. v. John I. Haas Co., Inc., 375 F.2d 614 (9th Circuit, 1967), addressed itself to a directly analogous proposition. In that case, this Court was requested to review the validity of a patent where that question was litigated, but not decided, in the Trial Court. In choosing to accept the question of validity on appeal, this Court, citing Sinclair and Carroll Co., Inc. v. Interchemical Corp., 325 U.S. 327 (1945), declared that the Supreme Court's admonition that it is the better practice to inquire fully into patent validity should not be lightly disregarded. While we are not here concerned with the question of patent validity as a whole, it is submitted that the declared force of such admonition is nevertheless applicable. The public interest in striking down a patent monopoly acquired and used in bad faith and as an element of a pervasive course of inequitable conduct, such as Meyer has pursued, is of grave importance. It is SME's contention that Meyer's reliance on late presented claims is an element strongly indicative of such bad faith and inequitableness. Furthermore, it is submitted that the Trial





urt's reasoning in the Crown Machine and Tool Co. case, supra, Northern District of California case, on the issue of an award attorney's fees for the illegal enlargement of late presented claims, is most persuasive. It appears to SME that this question is not heretofore been considered by this Court and is of such significance to warrant consideration now.

Turning to the instant controversy, it is well settled that where claims defining a new invention are first introduced to a patent application more than one year after a public use, sale or publication involving such invention, or after the intervention of an adverse public right, such claims are invalid. Muncie Gear Works, Inc. v. Outboard Marine, 315 U.S. 759 (1942); Shriber-Schroth Co. v. Cleveland Trust Co., 305 U.S. 47 (1938); Zeitline Research, Inc. v. General Motors Corp., 170 F.2d 6 (4th Circuit, 1948), cert. denied, 336 U.S. 938 (1949); Knapp v. Celeste Fur Dyeing and Dressing Corp., 156 F.2d 510 (2nd Circuit, 1946), cert. denied 329 U.S. 736 (1946); Chicopee Mfg. Corp. v. Kendall Co., 228 F.2d 719 (4th Circuit, 1961), cert. denied, 368 U.S. 825 (1961). As stated by the Supreme Court in the Muncie Gear case, such invalidating rule is based upon the theory that a patentee will not be allowed to rely upon claims first presented to the Patent Office, by amendment or otherwise, more than two years (now one year) after a public use or sale of the device covered thereby where such claims define an invention different in essence and scope from that originally disclosed to the Patent Office. In essence, the Supreme Court, and cited cases following the



ncie decision, have held that where the patentee changes the focus of the invention defined by the earlier claims to a new and different focal point in the late presented claims so that the new invention cannot be fully deduced from the earlier disclosure, the later claims will be assigned a filing date as of their date of first presentation; and if such filing date exceeds the period of the statutory bar (now defined by 35 U.S.C. § 102), such claims are invalid.

In determining whether or not the late presented claims define an invention different from that originally relied upon by the patentee, this Court has looked to the scope and essence of the invention as defined by the earlier claims. Pursche v. Glas Scraper and Engineering Co., 300 F.2d 467, (9th Circuit, 1961). It has been clearly established that drawings alone are insufficient disclosure to support the newly asserted invention defined by the late claims. Telechron, Inc v. Parissi, 120 F.Supp. 235 (N.D. N.Y. 1954), affirmed, 229 F.2d 440 (2nd Circuit, 1956); Hazeltine Research, Inc. v. General Motors Corp., supra; Chicopee Mfg. Corp. v. The Kendall Co., supra. And in the Chicopee case, the court held that where a late presented claim has been broadened to the point that, although perhaps including and supported by the narrower teachings of earlier disclosures, it is no longer restricted to those teachings, such claim is invalid.

The Supreme Court in the earlier Schriber --Schroth case, supra, addressed the problem of late presented claims from a slightly different aspect, relying on the principles set forth





in 35 U.S.C § 112. There the Court stated the now accepted rule that a patent application cannot be broadened by amendment to embrace an invention not disclosed in the application as originally filed where adverse rights of the public have intervened, without regard to the statutory bar. There appears nowhere a definition of the phrase "adverse public right" in connection with the late presented claim cases. It is submitted that such phrase has reference to the oft decided proposition that a patentee may not appropriate for his own that which already has become public property. In the Schriber-Schroth case, the "adverse public right" was in an independent third party who developed a device subsequently claimed by the patentee; in the Oelbaum case, supra, such right was found in the alleged infringer.

In view of the cited authorities, it is submitted that the evidence of record before the Trial Court below is sufficient to support SME's contention that the claims at issue of the '640 patent are invalid because:

1. They define a new invention without sufficient prior disclosure; and,
2. They were first presented during prosecution of the continuation application, later than is permitted by 35 U.S.C. § 102 and after the intervention of an adverse public right.

As stated hereinbefore, the '640 patent evolved from the parent application Serial No. 741,634 filed by Messrs. Calhoun, Williams and Wyman, and subsequently assigned to IDC. Subsequent



of the allowance of 14 claims in the parent application, but before issuance of a patent thereon, the parent application and the invention described therein was transferred from IDC to Meyer pursuant to the Patent Transfer Agreement. On October 5, 1960, Meyer, by attorneys representing Meyer in the instant controversy, fully filed application Serial No. 60,753 denominated as a continuation of the parent application. New oaths for the continuation application were executed by Messrs. Calhoun and Williams but not by Wyman; Wyman having contended, upon review of the initial continuation application, that he was not an inventor of the invention defined by the claims thereof. (Ex. 40, p. 40-44, 131) Pursuant to Patent Office proceedings under 35 U.S.C. § 118, Meyer executed a new oath in place of Wyman. (Ex. 41, p.215)

The original continuation application contained 24 claims, the first 14 of which being the allowed claims from the parent application. (Ex. 41, 42) The original continuation application also incorporated verbatim the specification and drawings from the parent application, which specification and drawings remained unchanged and are as set forth in the issued '640 patent. Subsequent to the filing of the continuation application, the parent application was expressly abandoned by Messrs. Calhoun and Williams and Meyer. (Finding of Fact No. 4, R. 1816)





Of the 14 allowed claims of the parent application, six were prosecuted to allowance in the continuation application and resulted in Claims 1 through 6 of the '640 patent; claims which are not in issue in this controversy. One other claim, drawn to the same concept, was cancelled during prosecution of the continuation application. (Ex. 42) Of the remaining seven allowed claims of the parent application (Claims 7, 9 through 11 of the original continuation application) a brief review thereof clearly indicates that the focal point or point of novelty relied upon was a rotatable reticle, or disc, scanning member having a plurality of both opaque and transparent areas alternately disposed. (Ex. 41, p. 17-21). (Original Claim 9 varies somewhat from this pattern by including in the combination, apparatus defining the subject matter of the claims not in issue.) Such focal point is amply evidenced by the applicant's arguments for allowability which related principally to the distinction that no other cited art embodied a rotatable disc having the alternately disposed opaque and transparent areas. (Ex. 41, page 372-373)

By contrast, Meyer has characterized the invention allegedly defined by the '640 patent as a bottle inspection system which combines a centered optical system with a radial scan to provide spatial filtering for the generation of signal components of a particular frequency, or range of frequencies, representing small particles in the bottom of the bottle; electronic circuits for selecting the particular frequency or frequencies representing





articles in the bottom of the bottle; and electronic circuits for detecting direct current at a particular level to reject opaque bottles and bottles with relatively large particles in the bottom of the bottles. (Finding of Fact No. 4, R. 1939)

Of particular import in the foregoing characterization are the phrases "centered optical system", "spatial filtering"; and, "particular frequency or range of frequencies". The term "spatial filtering" does not appear anywhere in the patent application or the file history accumulated pursuant thereto; in the continuation application or the file history accumulated pursuant thereto; or in the issued patent. While acknowledging that the original parent specification contains descriptive reference to the terms "particular frequency or frequencies," and further acknowledging that while the specification of the parent application does not refer to a "centered optical system," the over-simplified drawings appear to indicate a centered system, none of such phrases appear in any allowed claim of the parent application, which claims purportedly defined the true scope of the invention claimed. By comparison, Meyer now insists that the even broader essence of the invention claimed in the '640 patent is the combination of a "centered optical system", "spatial filtering", and "frequency discrimination", elements which have no antecedent support. (See Appellant's brief, Case No. 22592-A)

Turning to Claims 7 through 24 of the patent in suit, i.e., those claims at issue herein, Claim 7 was presented for



first time in the original continuation application; Claims through 11 were first presented by Amendment "A" thereto filed November 15, 1961; Claims 12 through 21 were first presented by Amendment "B" thereto filed December 26, 1962; and Claims 22 through 24 were first presented by Amendment "C" thereto filed April 24, 1963. (Ex. 41; 42, p. 364, 380, 407) Examination of these claims clearly reveals that the entire focal point and conception of the alleged invention has changed considerably over the essence of that invention disclosed in the parent application. The claims at issue have been definitely broadened. (Finding of Fact No. 4, R. 1816) More importantly, such claims introduced, for the first time, new and undisclosed elements or points of novelty.

The claims of the '640 patent may be divided into five groups, which groups exemplify various elements asserted by Meyer to define the true scope of the invention disclosed in the issued patent, which elements were first disclosed more than 10 years following the filing of the parent application. For example, the element of the means or a member for "sequentially and/or cyclicly coupling or scanning" is now recited in Claims 15, 16, 18 and 21 through 23. This element has no antecedent support whatsoever in either the parent application or its file history. Each of the claims of the second group, i.e., Claims 8 through 14, 16, 17, 19 through 21 and 24 purport to define a "centered optical system", a term not found in the parent application yet heavily relied upon by Meyer as a distinguishing





ture during prosecution of the continuation application. In third group of claims, i.e., 7, 14, 18, 20, 22 and 23, there first appear the elements of the detection-rejection combination of alternating and direct components, or characteristics, of light energy and/or electrical signals indicative of the presence of a particle in the bottle to be inspected, a combination described in the operation of an embodiment in the parent application but not in any way indicated by the claims thereof as being part of, or important to, the invention defined thereby. Similarly, in the fourth group of claims, i.e., 10, 11, 19, 20 and 23, the concept of the machine's interest in a particular frequency, or range of frequencies, indicative of the presence of a particle in the bottle to be inspected is first presented, a concept which does not find a counterpart in the definition of the invention as recited in the parent application. And finally, in the fifth group of claims, i.e., 9, 15 through 17, and 19, there first appears the concept of the system reliance upon alternating characteristics, or components, of light energy and/or electrical signals indicative of the presence of a particle in the bottle to be inspected. The heavy reliance placed upon these newly presented elements by Meyer during its prosecution of the continuation application is amply evidenced by repeated distinguishing arguments before the Examiner, which arguments are clearly set forth in the various amendments to the continuation application and Meyer's appeal brief filed with the Board of Appeals. (Ex. 41)





The obvious expansion of the scope of the invention  
ited in the late presented claims over that disclosed in  
parent application must be viewed against uses and sales of  
ty bottle inspection machines during the period from the filing  
the parent application to the grant of the '640 patent.

In 1958, subsequent to the filing of the parent  
lication, IDC sold four or five machines, designated Mark II,  
egedly corresponding to the teachings of the '640 patent.  
e in 1958, an improved machine embodying the concepts disclosed  
covered by the '640 patent, went on public sale. In or about  
e of 1960, subsequent to his repudiation of the invention  
ined by the original continuation application, Wyman began  
sell another empty bottle inspection machine, which machine  
admittedly not encompassed within the scope of the invention  
ined by the parent application but which has been subsequently  
lared by Meyer to be within the scope of the claims of the  
0 patent.

Thus, to briefly summarize, the Trial Court was presented  
h evidence establishing the following chain of events:

1. In April 1958, the parent application was filed by  
srs. Calhoun, Williams and Wyman, which application well  
ined an invention the essence of which was the allegedly novel  
ked reticle, or disc, scanning member.

2. In 1958, empty bottle inspection machines were sold  
portedly utilizing and embodying the concepts taught by the  
adened claims of the '640 patent.



3. In 1960, one of the original inventors of the  
ent application developed a different and improved empty  
tle inspection machine and sold the same; such machine,  
lowing its inspection by Meyer, was allegedly encompassed  
hin the scope of the claims first presented in the continuation  
lication.

4. In 1960 and thereafter, a continuation application  
filed by Messrs. Calhoun and Williams and Meyer with  
sequent amendments thereto, containing claims of an  
remely broadened and theretofore undisclosed nature, which  
lication resulted in the '640 patent.

Accordingly, it is contended that the Trial Court should  
e concluded that Claims 7-15, 17-24 of the '640 patent are  
alid in view of the cited authorities. It is further  
tended that Meyer's reliance on such invalid claims in its  
tempted enforcement of the '640 patent is demonstrative  
such gross injustice that SME should not be required to bear  
e burden of its attorney's fees in defense thereof. Since  
e illegal enlargement by Meyer of its continuation application  
.has been the keystone..." of Meyer's claim for relief in this  
t, Meyer should pay SME its attorney's fees as contemplated by  
U.S.C. § 285. Crown Machine and Tool Co. v. KVP-Sutherland  
er Co., 155 U.S.P.Q. at p. 329.



d. The Continuum Of Meyer's Bad Faith  
And Inequitable Conduct Warrants An  
Award Of Attorneys' Fees To SME

Meyer's course of conduct as evidenced by the heretofore set forth facts concerning its misuse of the '640 patent, its practiced fraud upon the United States Patent Office and its attempted enforcement of delayed, new claims is found to continue and extend into the proceedings during trial on the issues of validity and infringement of the '640 patent.

During the course of pre-trial proceedings, Meyer pursued a course of delay and harrassment, the necessary result of which was to impose an unreasonable financial burden upon SME. Such course of conduct is exemplified by the unnecessarily detailed and extensive 100 page Pre-Trial Order No. 2 (R. 1687) and the unnecessarily lengthy and detailed discussions between the parties' attorneys in preparation thereof. For example, Article III of such Pre-Trial Order (R. 1688) purports to set forth some 95 admitted facts requiring no proof at trial. However, at Meyer's demand, Article IV of the Order (R. 1714) recites various of Meyer's reservations with respect to such "admitted" facts, which reservations virtually destroy the probative value of approximately one-third of the "admitted" facts. Furthermore, minutely detailed discussions, instigated by Meyer's attorneys and extending over a period of several weeks, resulted in nothing more concrete, in terms of pre-trial agreement on issue framing, than the approximately 279 issues of fact remaining for litigation at trial. (R. 1718-1775).





Meyer's reasons for failure of agreement on and reduction of these issues was nothing more than its desire to maintain its flexibility concerning matters of proof at trial. The obvious result of attempts to maintain such "mobility" is unnecessary delay and consumption of the Court's time in proving matters well within Meyer's and Meyer's attorneys' knowledge.

The culmination of Meyer's expansion of its ill-gotten patent beyond its lawful scope is exemplified by Meyer's attempts to use the courtroom as yet another vehicle for such expansion by employing what may be most favorably termed questionable practices involving strained constructions of the teachings of the '640 patent and evidentiary demonstrations designed to perpetuate such strained constructions.<sup>1</sup>

Equity should not condone Meyer's practices. Following its acquisition of the unlawfully expanded patent, Meyer proceeded to rely at trial, not upon the claims of the patent itself but, rather, upon the testimony of its expert witness (Calhoun) as to what the patent was supposed to teach<sup>1</sup> and such nebulous concepts as "spatial filtering" and "frequency discrimination", which concepts find no explanatory support in either the '640 patent or its file history.

It is submitted that the reasoning of the Court in the Monolith Portland Midwest Co., case, supra, is most persuasive in supporting SME's request for its counsel fees. Therein the

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<sup>1</sup> See Appendices G and H wherein detailed discussions are set forth.



Court found the case to be an exceptional one within the meaning of 35 U.S.C. § 285 where: (1) The patentee's conduct before the Patent Office, taken as a whole, amounted to fraudulent patent acquisition; (2) ". . .the objective of pretrial, to reduce and pinpoint the issues, was not accomplished due to plaintiff's apparent desire to maintain a maximum mobility;" and, (3) the "plaintiff took extreme positions and adopted strained constructions which unduly prolonged the trial." (267 F.Supp. at pps. 786, 787).



## CONCLUSION

The plain and simple meaning of Article XIV of the Patent Transfer Agreement is that of a traditional non-compete clause; IDC was not to make any machines for performing the function of inspecting empty bottles for foreign particles which were competitive with any such machine manufactured by Meyer, for a period of approximately 22 years, anywhere in the world. Pursuant to Article VIII. A. of the same agreement, any improvements on such machines developed by IDC, or any of its employees, were to be funneled directly and exclusively to Meyer, royalty free. Where the contractual restrictions of the Patent Transfer and Consultant Agreements failed to tie-up other competitive creative talent, Meyer threatened such competition with civil litigation, broadened two patent applications, and filed a third patent application and instituted an interference based upon a stale and only partially conceived idea in attempts to eliminate such competition. Such acts and pervasive course of conduct pursued by one having a dominant position within the market place is an unlawful expansion of the underlying patent monopoly, the '640 patent, and, in accordance with established equitable principles, a misuse of the '640 patent.

Meyer acquired the patent in suit by virtue of a series of fraudulent misrepresentations to the Patent Office. The claims of the '640 patent at issue in the instant controversy are late presented, invalid claims defining a new invention over






that originally relied upon. In pursuit of the enforcement of such illegally broadened claims, Meyer adopted even broader, strained constructions at trial in its attempts to stifle yet another competitor. The burden of defending against the ill-gotten and misused '640 patent wrongfully thrust on SME is grossly unjust.

The judgment in favor of Meyer on SME's claims of patent misuse and unclean hands should be reversed.

SME should be awarded its costs incident to trial on the issues of patent misuse and its appeal herein and should be awarded a reasonable attorney's fee for its defense against Meyer's suit for patent infringement.

Respectfully submitted,  
SPENSLEY, HORN AND JUBAS

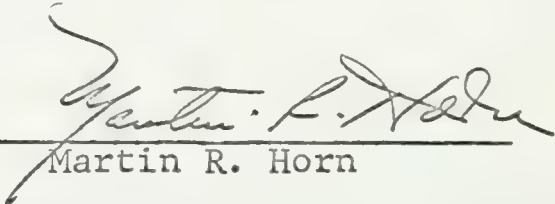
By:

  
Martin R. Horn  
Attorneys for Plaintiff-  
Cross-Appellant



CERTIFICATE

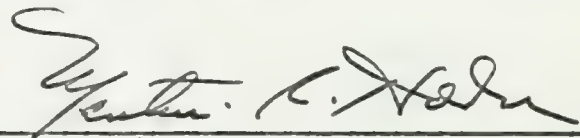
I certify that, in connection with the preparation of this Brief, I have examined Rules 18, 19 and 39 of the United States Court of Appeals for the Ninth Circuit, and that, in my opinion, the foregoing Brief is in full compliance with those rules except as to deviations therefrom authorized by Order of the Court.

  
\_\_\_\_\_  
Martin R. Horn



AFFIDAVIT OF SERVICE

The undersigned hereby certifies that three (3) copies of the within Brief were this 11th day of June, 1968, served upon Ellsworth R. Roston, Esq. of Smyth, Roston and Pavitt, Attorneys for Cross-Appellee, by enclosing the same in a postpaid wrapper addressed to said attorney at Suite 320, 4262 Wilshire Boulevard, Los Angeles 5, California, and depositing the same in the United States mail.

  
\_\_\_\_\_  
Martin R. Horn





## FINDINGS OF FACT AND CONCLUSIONS OF LAW

FINDINGS OF FACT: R. 1813-1837

1. Plaintiff is a corporation organized and existing under the laws of the State of California, having its principal place of business in El Segundo, California, which is within the jurisdiction of this Court. Plaintiff manufactures two types of machines that inspect empty bottles for the presence of foreign particles, known as the Model 303 and the Slimlight.

2. Defendant is a corporation organized and existing under the laws of the State of Wisconsin, with its principal place of business in Cudahy (Milwaukee County), Wisconsin. Defendant maintains an office in the City and County of Los Angeles, California, within the jurisdiction of this Court. Defendant manufactures, among other things, a line of machines for handling, filling, inspecting, filling, closing, labeling and packing various metal, glass and plastic containers, along with other types of equipment used in connection with the packaging of liquids or semi-solid substances in glass, metal or plastic containers. Defendant is one of the largest manufacturers of bottle handling equipment in the United States. Defendant manufactures and offers for sale a machine to inspect empty bottles for the presence of foreign particles known as its Mark IV Bottle Inspector.

3. Prior to June 12, 1958, Industrial Dynamics Corporation, a California corporation, with its offices and principal place of business in Los Angeles County, California, developed a machine for inspecting empty bottles for the presence of foreign particles. The officers and principal employees of Industrial Dynamics Corporation at the time that the machine was developed were Fredrick L. Calhoun, Donald D. Williams, and James H. Wyman. Subsequently, Abner L. Browning became employed by Industrial Dynamics Corporation and participated in further development of the empty bottle inspection machine.

4. On June 12, 1958, Fredrick L. Calhoun, Donald D. Williams and James H. Wyman filed an application for letters patent of the United States which disclosed a prototype of an empty bottle inspection machine. The patent application received Application Serial No. 741,634 from the United States Patent Office. This application was assigned by the applicants to Industrial Dynamics Corporation, and was prosecuted in the United States Patent Office through allowance. However, before any letters patent issued on application Serial No. 741,634, but after application Serial No. 741,634 was allowed, application Serial No. 60,753 was





ed in the United States Patent Office on October 5, 1960, as continuation of application Serial No. 741,634 and was subsequently assigned to defendant and its prosecution was paid for by defendant, and application Serial No. 741,634 was subsequently abandoned. The specification, drawings and allowed claims of application Serial No. 741,634 were identical in application Serial No. 60,753, but additional and broader claims were set forth in the continuation application Serial No. 60,753. As a consequence of the prosecution of said continuation application Serial No. 60,753 in the Patent Office, United States Letters Patent No. 3,133,640 was granted on May 19, 1964, by the United States Patent Office to defendant as assignee of said application. This is the patent-in-suit. The defendant maintains and asserts that United States Patent No. 3,133,640 is a basic patent.

5. On or about April 22, 1959, Fredrick L. Calhoun and Abner L. Browning, who were then employees of Industrial Dynamics Corporation, filed an application for patent relating to a machine for inspecting empty bottles for foreign particles. This application was designated as Serial No. 808,172 by the United States Patent Office and was assigned by the applicants to Industrial Dynamics Corporation. This application issued as United States Patent No. 3,081,666 on March 19, 1963. Defendant describes its patent as an improvement on its patent No. 3,133,640. While the latter patent was initially involved in this suit, the parties have stipulated to the dismissal of the claim by defendant of infringement with prejudice and the claim by plaintiff of invalidity without prejudice.

6. On or about September 21, 1959, Industrial Dynamics Corporation and the defendant entered into a written agreement consisting of two parts. Pursuant to the first part, which can be described as the Patent Transfer Agreement, Industrial Dynamics Corporation transferred to the defendant all of its right, title and interest in the two patent applications Serial Nos. 741,634 and Serial No. 808,172 which Industrial Dynamics Corporation presented to defendant as covering its machine to inspect empty bottles for the presence of foreign particles. The second part of the agreement of September 21, 1959, consisted of a Consultant Agreement between the defendant on the one hand, and Fredrick Calhoun and Abner L. Browning on the other hand, pursuant to which Calhoun and Browning agreed to act as consultants to the defendant for a limited period of time to facilitate the transfer from Industrial Dynamics Corporation to the defendant know-how relating to the construction and operation of the bottle inspection machine then being manufactured by Industrial Dynamics Corporation, to-wit, the Mark IV machine. On September 21, 1959, Calhoun and Browning were the principal officers and employees of Industrial Dynamics Corporation, Williams and Wyman having terminated their relationship with Industrial Dynamics Corporation some months prior to that time. Neither Williams nor Wyman was a party to the consultant agreement in question.



7. Certain portions of the Patent Transfer Agreement and the Consultant Agreement form the basis for some of plaintiff's claims of patent misuse. Plaintiff relies principally upon Articles V, VIII and XIV of the Patent Transfer Agreement and paragraphs 3, 4 and 5 of the Consultant Agreement. Defendant calls particular attention to the first WHEREAS clause appearing on page 1 of the Patent Transfer Agreement and to paragraph 4 of the Consultant Agreement. Certain of these contractual provisions are quoted below and others are summarized:

From the Patent Transfer Agreement:

WHEREAS Fredrick L. Calhoun, Donald D. Williams, and James H. Wyman, and Fredrick L. Calhoun and Abner L. Browning are the inventors of a machine, hereinafter called a 'bottle inspection machine', which is used to detect and reject bottles coming from a bottle washer which have not been properly washed or which contain foreign matter, for which invention two applications for Letters Patent have been filed in the United States Patent Office on June 12, 1958, and on April 21, 1959, respectively, and which bear the Serial Nos. 741,634 and 808,172, respectively.

ARTICLE V.

A. MEYER will assume responsibility for the manufacture of bottle inspecting machines and will also completely assume the sale and servicing of the bottle inspecting machines forming the subject matter of this agreement not more than six months following the date of the signing of this agreement.

B. After commencing the manufacture of the bottle inspecting machines, MEYER will have the sole right to make such machines, and also the sole right to use and sell such machines, and in so doing, will give equal service rights to machines previously made or sold by INDUSTRIAL, at INDUSTRIAL's expense, and it is agreed that MEYER shall have the right to deduct from royalties accruing hereunder or from any other sums owing INDUSTRIAL by MEYER, MEYER's reasonable service charges and the costs of any adjustments made or incurred by MEYER in the servicing of such machines, which charges and costs are not properly collectible (sic) from the owner of said bottle inspecting machine.

\* \* \*





## ARTICLE VIII.

A. In the event INDUSTRIAL or its employees during the term of this agreement shall invent or devise any improvement in bottle inspection machines forming the subject of this agreement, it shall promptly disclose the same to MEYER and make such improvements available exclusively to MEYER at no additional royalty.

B. MEYER may elect, if such improvement is of a patentable nature, to file applications for patent at its own expense based upon such improvements and in such event, all patents granted thereon shall be the sole and exclusive property of MEYER. Notice of such election must be made prior to the expiration of ninety (90) days from the date such improvement is fully disclosed to MEYER by INDUSTRIAL. Upon receiving notice that MEYER does not elect to file an application for patent on said improvement, or upon the elapse of said ninety (90) days without receiving the notice of election from MEYER, then INDUSTRIAL may, if it desires and without being required to do so, file an application for patent. Ownership of the improvement, in the event of such filing, will be in INDUSTRIAL. However, INDUSTRIAL shall grant MEYER a non-exclusive, royalty-free license to make, use and sell said improvement.

C. INDUSTRIAL agrees to promptly and fully disclose and offer to MEYER any invention which INDUSTRIAL may devise, own or control during the life of this agreement relating to electronic applications for the packaging industry, and to inform MEYER of the terms and conditions of such offer, and MEYER shall have ninety (90) days following the receipt of such offer in which to accept or reject the same. In the event MEYER rejects the same, INDUSTRIAL shall have the right to secure bona fide purchase or license offers from other manufacturers for such invention. INDUSTRIAL shall give MEYER written notice with full particulars of any such offer secured by and acceptable to INDUSTRIAL and MEYER shall have sixty (60) days following receipt of such notice to meet such offer, and in the event MEYER does not elect to meet such offer, INDUSTRIAL shall have the right to accept the same.

\* \* \*



### ARTICLE XIII.

Unless sooner terminated under Article X, this agreement shall continue in force to the end of the term of the last to expire of any United States Letters Patent obtained for either application Serial No. 741,634 or application Serial No. 808,172 or, in the event no such Letters Patent are obtained, then the term of this agreement shall end at such time as the claims of these applications, or continuations, or divisions thereof are finally rejected and the time for appeal has elapsed without further appeal being taken, or if further appeal has been taken, then when such appeal has been denied.

### ARTICLE XIV.

INDUSTRIAL agrees that it will not enter into competition with MEYER in the manufacture or sale of bottle inspecting machines during the life of this agreement.

#### m Consultant Agreement:

#### 4. AGREEMENT NOT TO COMPETE.

Consultants agree that for a period of three years after completion of their services under this agreement, they will not, jointly or severally, enter into the employ of any person, firm, corporation or other organization or themselves engage in business when such employer, employment or business shall be in any way in competition with MEYER in its manufacture or sale of bottle inspection machines as defined in the agreement between MEYER and INDUSTRIAL.

#### 5. RIGHTS OF FIRST REFUSAL.

A. Consultants agree, jointly and severally, that if they shall during the aforesaid three-year period make or conceive any invention or improvement, which if made or conceived by them during the period of their services under this agreement they would have been obligated to assign to MEYER pursuant to paragraph 3 above, then in such event they shall first offer such invention or improvement to MEYER on reasonable terms. MEYER must within 30 days notify Consultants whether or not they will accept the offer. If MEYER declines the offer or does not reply within 30 days, Consultants shall have the right to dispose of it to others.





B. Consultants further agree, jointly or severally, that if they shall, during the period of this agreement, make or conceive any invention or inventions relating to electronic applications for the packaging industry, they will first offer such invention or inventions to MEYER on reasonable terms. MEYER shall have 60 days from the date of such an offer to negotiate with Consultants to reach an agreement on price, royalties and other terms and conditions. If MEYER and Consultants fail to reach an agreement in this period, the Consultants may thereafter deal with others on such invention or inventions.

8. Paragraph 3 of the Consultant Agreement provides:

Consultants agree to assign and do hereby assign to MEYER, its successors and assigns, all their rights, held jointly or severally, in and to any and all inventions which they shall make or conceive during the period between the date of this agreement and the termination of their services hereunder which in any manner relate to bottle inspection machines as defined in the agreement between Industrial and Meyer. \* \* \*

9. Article X of the Patent Transfer Agreement provides that the defendant may cancel the agreement after a period of two years.

10. Paragraph 1 of the Consultant Agreement provides that the consultants (CALHOUN and BROWNING) will offer their services to MEYER for a period not in excess of two years.

11. On or about June 23, 1966, Industrial Dynamics Corporation (which by change of name was then called Electro-dynamics Corporation) and the defendant entered into an agreement pursuant to which Article XIV of the Patent Transfer Agreement dated September 21, 1959, was rescinded and declared null and void.

12. The subject of the Patent Transfer Agreement is "bottle inspection machine" as it is defined in the first "WHEREAS" clause. The Agreement of September 21, 1959, between the defendant and Industrial Dynamics Corporation is directed to specifying the rights and obligations of the parties with respect to these machines; the Agreement is directed to the bottle inspection machines for which two patent applications were filed and referred to in the "WHEREAS" clause quoted in Finding 7. For example, Article IV refers to "bottle inspecting machines" and the subject matter of this agreement" and Article V recites





at defendant "will assume responsibility for the manufacture of all bottle inspecting machines". These references are to machines described in the two patent applications.

13. The machines referred to in Article XIV of the Patent Transfer Agreement are machines for which two patent applications referred to in the first "WHEREAS" clause were made, and only those machines.

14. The Court is mindful of the fact that Article XIV contains the clause, "INDUSTRIAL agrees it will not enter into competition with MEYER . . . ." Considering that the defendant paid \$75,000.00 at the time the Patent Transfer Agreement was executed, it was reasonable for the defendant to provide protection against competition by Industrial Dynamics Corporation in the manufacture of machines for which the patent applications were made, during the period between the execution of the Agreement on September 21, 1959, and the issuance of the patents.

15. The Court finds that the use of the phrase "during the life of this agreement" in Article XIV is inartistic but does not alter the Court's above expressed interpretation of that paragraph. The protection of Article XIV was not required after the patents issued. However, the agreement might have been terminated before the last patent was issued, pursuant to Articles X or XIII. The meaning of the phrase "during the life of the agreement" is set forth in Article XIII. The Articles B. and XIV of the Patent Transfer Agreement are redundant, and this does not alter the plain meaning of Article XIV.

16. At the time that the defendant purchased the patent applications from Industrial Dynamics Corporation there was at least one other empty bottle inspecting machine being marketed, the Mayer Twin-Beam. In addition, there was a full bottle inspection machine being offered for sale by RCA. Defendant believed, however, that the bottle inspection machine developed by Industrial Dynamics Corporation was more useful and would be more successful than any other machine then being marketed.

17. Starting in late 1959 and continuing to this date, the defendant has manufactured and sold machines, known as the Mark IV Bottle Inspector, for the inspection of empty bottles for foreign articles, which are based upon the applications that defendant purchased from Industrial Dynamics Corporation.

18. After Mr. Wyman and Mr. Williams terminated their relationship with Industrial Dynamics Corporation, the then stockholders of Industrial Dynamics Corporation decided that Industrial Dynamics Corporation would discontinue active operations and either be dissolved or continued for the sole purposes of collecting assets and issuing dividends to the shareholders and living up



its obligation under the September 21, 1959, Agreement. This decision was made by them some time prior to September 21, 1959, and the defendant, through its president, Leo Meyer, was made aware by Mr. Calhoun that for all practical purposes Industrial Dynamics Corporation would become dormant.

19. Subsequent to September 21, 1959, Industrial Dynamics Corporation did become inactive and changed its name to Electro-Dynamics Corporation. In April, 1960, Messrs. Calhoun and Browning caused Industrial Dynamics Company, Limited, to be organized under the laws of the State of California as a separate corporate entity. Shortly thereafter, Mr. Browning terminated his relationship with Electro-Dynamics and associated himself with the Aircraft Co. Sometime in the Spring of 1966, Mr. Browning left Hughes and rejoined Calhoun at Industrial Dynamics Company,

20. Since September 21, 1959, Electro-Dynamics Corporation has not manufactured or sold machines for the inspection of empty bottles for foreign particles or any other types of machines or other products. Nor have machines for the inspection of empty bottles for foreign particles been manufactured or sold by a corporation with which Fredrick L. Calhoun or Abner L. Browning have been associated.

21. Mr. Calhoun, and at various times Mr. Browning, have continued to be active for Industrial Dynamics Company, Limited, in research and development in electronic applications in the packaging industry. For example, Mr. Calhoun has developed several new electronic devices relating to the packaging industry, particularly several new devices for inspecting empty and filled bottles for various parameters, including height of liquid level and chips on the rims of bottles. None of the patents on these devices has been sold or licensed by Messrs. Calhoun or Browning or Industrial Dynamics Company, Limited, to the defendant, and the defendant has at various times marketed such other products either through a short-term sales agency or distribution contracts with Industrial Dynamics Company, Limited. Defendant has also contracted with Industrial Dynamics Company, Limited, for further research and development in the field of particle inspectors for empty bottles, and recently Mr. Calhoun has developed for defendant a particle inspector for empty bottles which is being tested by the defendant. The Court finds that none of the covenants in the Transfer Agreement or in the Consultant Agreement has prohibited or inhibit Mr. Calhoun or Mr. Browning from continuing research and development in the general field of electronic applications in the packaging industry or in bottle inspection.





22. In or about July 1959, Mr. James H. Wyman, who is one of the officers of Industrial Dynamics Corporation and one of the named inventors of the patent-in-suit, terminated his employment with Industrial Dynamics Corporation and shortly thereafter sold his stock in the corporation. Later in 1959, Mr. Wyman organized Industrial Automation Corporation, and this company developed a machine for the inspection of empty bottles for foreign particles, the rights to which it subsequently sold to Barry-Wehmiller Company. Defendant has advised Barry-Wehmiller Company of its belief that the bottle inspector so developed by Mr. Wyman and now being manufactured and marketed by Barry-Wehmiller infringes defendant's patents and has demanded that Barry-Wehmiller Company cease and desist such infringement.

23. On April 8, 1960, Mr. Calhoun filed application Serial No. 20,884 in the United States Patent Office on improvements in the machine for inspecting empty bottles for foreign particles as disclosed in and covered by the applications specified in Finding 6. The invention disclosed and claimed by Calhoun in application Serial No. 20,884 is related to an entry by Calhoun in his notebook on or about December 8, 1958, prior to the date that Mr. Wyman terminated his employment with Industrial Dynamics Corporation. Patent applications Serial No. 20,884 and the invention disclosed and claimed in such application were assigned to defendant in accordance with the terms of the Patent Transfer Agreement and/or the Consultant Agreement.

On April 11, 1966, Mr. Wyman filed application Serial No. 21,164 in the United States Patent Office on a machine for inspecting empty bottles for foreign particles, on February 19, 1963, the United States Patent Office instituted Interference No. 93,420 between Calhoun application Serial No. 20,884 and Wyman application Serial No. 21,164 to determine which patent application would have the right to claim the inventive subjects common to both patent applications. In this Interference, Calhoun constituted the senior party, with the resultant benefits as senior party, since Calhoun filed application Serial No. 20,884 in the United States Patent Office before Wyman filed application Serial No. 21,164. Interference No. 93,420 was subsequently dissolved by the United States Patent Office on the basis of motions by Mr. Calhoun and Mr. Wyman to dissolve the Interference.

24. On July 16, 1965, defendant filed application Serial No. 475,316 in the United States Patent Office as a continuation of application Serial No. 20,884. The drawings, specification and some of the claims in application Serial No. 475,316 were identical to those in application Serial No. 20,884 but changes were made in other claims in application Serial No. 475,316 from corresponding claims in application Serial No. 20,884. Application Serial No. 20,884 was subsequently abandoned and application Serial No. 475,316 was thereafter allowed by the United States Patent Office with claims.





On August 27, 1964, Mr. Calhoun filed application Serial 392,499 in the United States Patent Office on improvements in machine for inspecting empty bottles for foreign particles disclosed in and covered by the patent applications specified in paragraph 6. This application was subsequently assigned to defendant in accordance with the terms of the Consultant Agreement or in accordance with an agreement on the part of defendant to pay for the costs of preparing, filing and prosecuting the application after Mr. Calhoun indicated to defendant that he was interested in continuing the prosecution of the application.

25. Provisions of the Patent Transfer Agreement and the Consultant Agreement require Industrial Dynamics Corporation, during the term of the Patent Transfer Agreement, and Messrs. Calhoun and Browning, during the term of the Consultant Agreement for a three-year period thereafter, to make available to the defendant, at no further cost to the defendant, all improvements in the two patent applications covered by the Agreement. Such provisions are reasonable. These contractual provisions, which the plaintiff described as grant-forward clauses, constitute a reasonable method by which Industrial Dynamics Corporation and Messrs. Calhoun and Browning could dispose of improvements on basic bottle inspection machine patents. They could not license or assign these improvements to a third party, because no third party would be able to manufacture and sell bottle inspection machines coming within the claims of the basic patents owned by the defendant and so would have no interest in the improvements which build upon or add to the basic machines and which cannot be used apart from the basic machines. It was to the advantage of Industrial Dynamics Corporation and Messrs. Browning and Calhoun to make the improvements available to the defendant, rather than others, so that the bottle inspection machines manufactured by the defendant might be as good as they could be and sales and royalties thereby maximized.

26. During a part of the time that Industrial Automation Corporation was developing its bottle inspection machine, Mr. Herbert G. Husome, who is presently president of the plaintiff, was associated with Industrial Automation Corporation and worked with Mr. Wyman in developing the empty bottle inspection machine which Industrial Automation Corporation manufactured and marketed for a time and the rights to which Industrial Automation Corporation ultimately sold to Barry-Wehmiller Company.

27. In or about September, 1962, Mr. Husome left the employ of Industrial Automation Corporation and, together with William V. Wright, Jr., established the plaintiff. Between September, 1962, and February, 1963, the plaintiff developed the bottle inspection machine which it designated as its Model 303 Electronic Empty Bottle Inspector. It is this machine that the defendant claims infringes the patent-in-suit.



28. Plaintiff, defendant and Barry-Wehmiller are the present manufacturers in the United States of machines for inspecting empty bottles for foreign particles.

29. Defendant has entered into two agreements with Mitsubishi Heavy Industries, Limited, of Japan. The first of these is dated October 31, 1958, and is the basic agreement. The second is dated December 17, 1962, and is a supplemental agreement designed to bring the Mark IV Bottle Inspection Machine within the terms of the basic agreement.

30. By the basic Mitsubishi agreement, defendant transferred to Mitsubishi the rights to Japanese patents, and all the know-how necessary for Mitsubishi to manufacture and sell defendant's products exclusively in Japan and non-exclusively in certain other Far Eastern countries. No United States patents were licensed by defendant to Mitsubishi, nor did Mitsubishi by other means acquire any right to manufacture or sell defendant's patented products in the United States. The second Mitsubishi agreement, dated December 17, 1962, makes reference for definition purposes to the United States patent applications which gave rise to the bottle inspection patents. The second Mitsubishi agreement does not license any United States patent to Mitsubishi in any other manner grant to Mitsubishi any rights to manufacture or sell within the United States bottle inspection machines covered by defendant's patents.

31. Pursuant to the Mitsubishi agreements, Mitsubishi agreed to license defendant, on a royalty-free basis, any improvements on the licensed products that Mitsubishi develops. Such improvements have ever been licensed by Mitsubishi to defendant. Further, Mitsubishi agreed to refrain from using, manufacturing or selling competitive or other designs of bottling machinery for the same purposes as the products licensed to it by defendant without first obtaining permission from the defendant. Mitsubishi has sought such permission on only two occasions and on each such occasion defendant gave its permission. At the time of the second Mitsubishi agreement, Mitsubishi agreed to pay Meyer a minimum royalty of \$600.00 for each bottle inspection machine which it manufactured and sold even though paragraph 4.2 of the agreement provided for a royalty of 7% of the net sales price of each bottle inspector. Defendant was assured a minimum annual royalty by the Mitsubishi agreements. Defendant required a non-compete clause from Mitsubishi to require that, to whatever extent Mitsubishi promoted sales of any bottle inspection machines, Mitsubishi would sell those machines to defendant rather than those of someone else.





1. The Court has jurisdiction of the plaintiff's claims under §1338, Title 28, United States Code, and under the Declaratory Judgment Act, as amended, Title 28, United States Code, §§ 2201-2202. In addition, the Court has jurisdiction over the defendant under Title 28, United States Code, §1391. The Court's jurisdiction of defendant's counterclaims is based upon Rule 13 of the Federal Rules of Civil Procedure and §1338 of Title 28, United States Code.

2. The burden of proof is upon the plaintiff to establish a preponderance of the evidence that the defendant has engaged in activity which amounts to misuse of its basic bottle inspection machine patent.

3. Defendant's acquisition of the patents does not constitute patent misuse.

4. The covenants not to compete contained in the agreements of September 21, 1959, viz., Article XIV of the Patent Transfer Agreement, and paragraph 4 of the Consultant Agreement, do not constitute patent misuse. Article XIV of the Patent Transfer Agreement refers to the bottle inspection machine defined in the first "WHEREAS" clause of the agreement; that is, bottle inspection machine for which two patent applications have been filed and which by the agreement Industrial Dynamics Corporation assigned to the defendant. While Article XIV expressly provides that it is to last during the life of the agreement, its purpose was to prevent Industrial Dynamics Corporation, during the pendency of the patent applications sold to defendant, from making and selling the bottle inspection machines which fell within the scope of and were covered by such patent applications and, hence, before the defendant could prohibit their manufacture and sale by enforcing its right as a patentee. The practical effect of the Patent Transfer Agreement and Article XIV was to place the defendant in the same position as Industrial Dynamics Corporation, that is, to substitute one company for the other; the covenant was ancillary to the purchase by defendant of a substantial asset of Industrial Dynamics Corporation and was intended to preserve the value of the asset.

5. As the phrase "in competition with" is used in Article XIV, the Court concludes that it means that Industrial Dynamics Corporation is prevented from making or selling only those machines covered by the assigned patent applications which were the subject of the Patent Transfer Agreement, and does not prevent Industrial Dynamics from making or selling machines not so covered by such applications, or any patents which subsequently issued thereon. The protection of Article XIV was not needed





er the patents issued. Therefore, to the extent that the case "during the life of this agreement" in Article XIV tends indicate that the protection afforded by that Article extends er the life of the patents, it is surplusage.

6. Paragraph 4 of the Consultant Agreement has the same erage and effect as Article XIV except that it restrains e consultants, Messrs. Calhoun and Browning, for a limited iod of time, namely, the period of their service under the sultant Agreement and three years thereafter.

7. The Court concludes that these two covenants, icle XIV and paragraph 4, whether considered separately or ether, are reasonable in their purpose and in their effect do not constitute patent misuse or unclean hands.

8. The agreement between Industrial Dynamics Corporation w known as Electro-Dynamics Corporation) and the defendant ed June 23, 1966, rescinded Article XIV of the Patent Transfer eement. Therefore, Article XIV cannot presently impair the endant's rights to protect the patent here concerned.

9. The Court concludes that Mr. Calhoun and the defendant e exercising their legal rights in filing a continuation lication and, even if the purpose of the application may have n in part, to broaden the patent and to cover the bottle pection machine, which Mr. Wyman developed, and was marketing ough Industrial Automation Corporation, the filing of such a tinuation application does not constitute patent misuse or lean hands.

10. The filing of an additional patent application by Calhoun and the instituting of an interference proceeding with Wyman's patent application as specified in Finding 23 do constitute patent misuse or unclean hands by the defendant. se were reasonable and legal procedures employed by Mr. houn and the defendant to attempt to retain the value of their ention by obtaining patent protection against the bottle pector which they believed Mr. Wyman had conceived while at ustrial Dynamics Corporation.

11. The Court concludes that the defendant's actions to orce its patent rights against the plaintiff and Mr. Wyman or assignees by sending them cease and desist letters and by se proceedings do not constitute patent misuse.

12. The Court concludes that the provisions in the ent Transfer Agreement and the Consultant Agreement described grant-forward clauses and referred to in Finding No. 31 are al and do not constitute patent misuse or unclean hands.



13. The provisions of Article VIII. C. of the Patent Transfer Agreement, and paragraph 5. B. of the Consultant Agreement are nothing more than grants of rights of first refusal of other inventions involving electronic applications in the packaging industry that might be developed by Industrial Dynamics Corporation of Messrs. Calhoun and Browning. These grants of rights of first refusal did not inhibit Messrs. Calhoun or Browning from further development, and the Court concludes that these provisions do not constitute patent misuse or unclean hands.

14. The combination of certain terms contained in the agreements of September 21, 1959, viz., the covenants not to compete, the grant-forward clauses and the rights of first refusal do not constitute patent misuse. The conclusions that each term, considered individually, do not constitute patent misuse are set forth in prior paragraphs. The combination of these terms does not alter those conclusions.

15. The requirements to pay royalties during the period of the pendency of the two patent applications specified in Finding 6 and during the life of the patent-in-suit and Patent 3,081,666 (both of which issued as a result of said two patent applications) do not constitute patent misuse.

16. The Court concludes that the Mitsubishi agreements do not constitute misuse of the patent-in-suit, or unclean hands by the defendant. Sperry Products, Inc. v. Aluminum Company of America, 171 F.Supp. 901 (N.D. Ohio, 1959), aff'd. 5 F.2d 911 (C.A. 6, 1960).

17. The Court has examined the cases cited by plaintiff and has concluded that they are distinguishable on their facts or have no application to the case at bar. The case of S. v. Alcoa, 91 F.Supp. 333 (S.D. N.Y., 1950), cited by the plaintiff to support its argument that the grant-forward clauses involved in this case constitutes patent misuse, involved a much different fact situation; it involved a pervasive plan, the effect of which was to give Alcoa complete control of all present and future patents relating to the production of aluminum. National Lock Washer Co. vs. George K. Garrett Co., Inc., 7 F.2d 255, 58 USPQ 460 (3rd Cir., 1943) and McCullough vs. Amerer Corporation, 166 F.2d 759, 76 USPQ 503 (9th Cir., 1948) involved covenants not to compete quite different in their scope, coverage and effect from the covenants involved in the case at bar.

18. The Court concludes that the terms of the Patent Transfer Agreement are understandable, and the Court has therefore interpreted the contract without regard to extraneous evidence.





## APPENDIX B

### FINDINGS OF FACT AND CONCLUSIONS OF LAW

#### FINDINGS OF FACT:

1. The Findings of Fact filed with the Court and signed on January 24, 1967, following trial on the issues of defendant's alleged misuse of the patent in suit are incorporated herein and made a part hereof by reference.

2. Claims 1 to 6, inclusive, and 16 of the patent in suit are not at issue. Claims 7 to 15, inclusive, and 17 to 24, inclusive, of U. S. patent No. 3,133,640 are at issue, with claims 7, 9, 18, 22, 23 and 24 designated by the defendant as representative of these claims.

3. The terminology of the patent in suit seems as understandable and reasonably precise as the respective contexts require. The descriptions contained in the patent in suit are sufficiently concise and clear to enable one skilled in the art to construct that which is taught by the patent.

4. The defendant characterizes its alleged invention as a bottle inspection system which combines a centered optical system with a radial scan to provide spatial filtering for the generation of signal components of a particular frequency or a range of frequencies representing small particles in the bottom of the bottle, electronic circuits for selecting the particular frequency or frequencies representing particles in the bottom of the bottle, and electronic circuits for detecting direct current at a particular level to reject opaque bottles and bottles with relatively large particles in the bottom of the bottles.

5. Reading the patent as a whole, in the light of the evidence presented relating to prosecution of the patent and the teachings of the prior art relating to bottle inspection and missile and star tracking, the Court finds that:

(a) With respect to the use of AC, the drawings and the specifications describe a device whose fundamental purpose is to detect a foreign particle by causing it to set up an alternating current signal of a particular frequency. The nature of the signal indicative of the presence of small particles in the bottle is characterized at column 2, lines 61-64 of the patent where it is stated that "As a result (of small particles of dirt in the bottle)





e output of the photocell will be an alternating current signal, the frequency of which basically is determined by the speed of rotation of the reticle times the number of strokes." The selection of this frequency, or reasonably discriminated band of frequencies (for rejection purposes), accomplished by the LC tuned circuit, which is the heart of the frequency discrimination concept of the '640 patent. The '640 patent teaches the use of RC circuits as couplers, and not as differentiators. If '640 did use their circuits as differentiators, such would destroy the essence of the circuit by reducing the selectivity of the LC circuit. The detection of an alternating current signal, as contemplated by the patent, is predicated on the particular frequency of the signal. Counsel for the defendant states that the circuit disclosed in the patent is merely an embodiment of the invention, but the Court finds that it is the essence of the disclosure of the patent, insofar as the use of AC is concerned.

(b) The '640 patent discloses a centered optical system whose essential element is a rotatable light stopping disc centered on an axis of rotation that lies, at least one time during inspection, within the periphery of the container.

(c) As taught by the patent, the term "axis of rotation" of the disc and "center of rotation" of the disc are synonymous. However, the use of reflective optics in the plaintiff's device is equivalent to the use of refractive optics in the embodiment disclosed in the '640 patent.

(d) The '640 patent discloses a multi-spoked reticle having more than one translucent area and more than one opaque area alternately disposed with the translucent areas, each of the areas extending radially from the center of the disc. The '640 patent does not include a disc having a single reflective line with the remainder of the surface opaque.

6. Where appearing in the patent in suit, such terms as "AC", "alternating current", "alternating current signal", and "substantially alternating current" or the like, mean an alternating current signal which has a substantially constant and repetitive pattern with a substantially predetermined time relationship between successive portions of the signal. Although the plaintiff's machine produces an alternating current signal, it is only concerned with the initial slope of the first pulse thereof, and is not concerned with matters of frequency or repetitive pattern.



7. All of the claims of the patent in suit which employ terms such as "reticle", "disc", "scanning means", "annular member" or the like mean a reticle including at least two radial opaque areas and two transparent areas.

8. Neither the specification nor the drawing contained in the '640 patent discloses anything different from the production of an AC signal having a particular frequency indicative of the presence of small particles in the container; nor do the specification or drawing disclose anything different from a multi-spoked reticle having more than one transparent segment and more than one opaque segment extending radially from the center of the reticle.

9. The nature of the art we are here concerned with is the detection of foreign objects in a field of view by electro-optical techniques, rather than being limited to the bottle inspection field. (This finding also appears as a conclusion of law No. 5.)

10. Electro-optical systems for the detection of objects in the sky, detection of material moving on a conveyor, detection of the presence of objects moving on the ground, and detection of objects in a container, all are systems which reside in an analogous art, and such systems employ similar elements in a similar relationship for a similar purpose. Further, such systems are related by the object of seeking to detect an object having distinct light or dark characteristics in a background of different light or dark characteristics.

11. The Court finds that each of the elements of the patent in suit as hereinabove discussed was well known in the prior art:

(a) A centered optical system, including a device providing a radial scan, is disclosed in the British Patent No. 517,229 issued to Stocate January 24, 1940, and United States Patent No. 3,034,405 filed October 13, 1953, issued to Biberman, et al., May 15, 1962.

(b) The use of DC to detect large objects in a container is disclosed by Stocate '229; United States patent No. 2,265,037 issued to Gulliksen December 2, 1941; United States patent No. 2,439,490 issued to Schell April 13, 1948.

(c) The use of AC to detect foreign objects is disclosed by United States patents to Fitz-Gerald No. 1,603,036; Biberman No. 3,034,405; Schell No. 2,439,490; Weathers No. 2,427,319. The art of attenuating signal components having undesirable frequencies in an AC signal emphasize other signal components having a particular





frequency or frequencies in the AC signal is well known. The art of emphasizing the signal components having the particular frequency or frequencies in the AC signal is also well known.

(d) The Stoate '229 patent discloses a DC system, but does not disclose or contemplate the concept of spatial filtering for the generation of signal components of different frequencies and the selection by electronic techniques of the frequency or frequencies representing small particles in the bottom of the bottle.

(e) The Biberman '405 patent discloses a missile or star tracking system but does not disclose a bottle inspection system. The Biberman '405 patent is the only reference specified in paragraphs 11(a), 11(b) and 11(c) of the Findings of Fact that discloses a centered optical system with a radial scan for providing spatial filtering.

(f) No single reference cited by plaintiff discloses a bottle inspection system employing techniques of spatial filtering or the combination of spatial filtering and electronic frequency selection as defined in paragraph 11 of these Findings of Fact.

12. (a) The '640 patent discloses the first system for detecting small particles in the bottom of a bottle while scanning the bottom of the bottle, including the edge of the bottle, without masking the edge of the bottle.

(b) The need for a satisfactory machine for inspecting empty bottles for foreign particles existed for a considerable period of time before the invention of the embodiment of the '640 patent.

(c) The invention of the '640 patent has enjoyed considerable commercial success.

(d) For all practical purposes, the only machines now being sold in the United States for inspecting empty bottles for foreign particles are those being manufactured by the defendant, the plaintiff, and the Barry-Wehmiller Co. The machine being manufactured by Barry-Wehmiller Co. was developed by Wyman, one of the inventors of the '640 patent, and Husome, president of plaintiff and the person who developed plaintiff's machines.





13. Each of the elements in the patent in suit is employed in substantially the same way, and functions in substantially the same manner, as its counterpart in the prior art. However, all of the elements in the patent in suit do not have counterparts in the field of bottle inspection.

14. Of the above-mentioned prior art references, only Fitz-Gerald '036 was before the United States Patent Examiner. However, the Patent Office cited references disclosing centered optical systems with radial scans in the field of star tracking and missile tracking systems, and the defendant, through its attorneys, called other similar references to the attention of the Patent Office. Such references further disclosed the concept of spatial filtering in the star tracking and missile tracking field. The '640 patent was granted over such references.

15. Upon review of the evidence adduced, the Court finds that the following patents are part of the relevant prior art:

(a) Stoate '229 teaches the use of a centered optical system with a rotatable scanning member having a single radial slit. The scanning member is disposed above the bottle being inspected, with its axis of rotation coincident with the common axis of a light source, bottle and a photocell. Defendant knew, through other attorneys than those prosecuting the applications which resulted in the grant of the '640 patent, of the Stoate '229 patent prior to its argument before the Patent Office to the effect that the centered optical system was an important and novel part of the invention disclosed and claimed by defendant and that defendant was the first to include a centered optical system for the bottle inspection machine disclosed and claimed by defendant.

However, the defendant's attorneys were not convinced at that time that such references actually disclosed a centered optical system, and the defendant did not practice any fraud by any failure on its part to call the Stoate '229 patent to the attention of the Patent Office.

(b) Biberman '405 discloses, in a star tracking or missile tracking system, a centered optical system including a reticle with alternately disposed opaque and translucent areas for the detection of a foreign object in a field of view. Biberman '405 further suggests the use of AC circuitry tuned to a particular frequency to detect a foreign object in a field.



(c) Schell '490 and Weathers '319 teach the combination of an AC signal for the detection of small foreign particles in a field of view, and a threshold or DC level signal for the detection of opaque bottles and large particles in bottles. Further, the Weathers patent discloses the detection of foreign particles in the field of view by use of a tuned circuit.

The defendant's attorneys were aware of the teachings of the prior art mentioned above in this paragraph at the time they argued before the Patent Office in support of their application for the '640 patent, and they did not call such prior art to the attention of the Patent Office. However, the defendant's attorneys did not intentionally withhold anything from the United States Patent Office that they concluded was relevant.

16. The patent in suit is a combination patent.

17. The detection of objects in a field of view in the star tracking or missile tracking field occurs in a relatively homogeneous background. The detection of a small foreign particle in the bottom of a bottle occurs in a substantially non-homogeneous background, especially since the signal components produced by scanning the edges of the bottle have a much greater intensity than the signal components produced by scanning small particles in the bottom of the bottles. Nonetheless, the Court finds that both come within the art here concerned as defined in paragraph 9 hereof.

18. Some of the problems presumably encountered and solved in the development of the defendant's alleged invention were previously recognized and solved by others in the field of missile or star tracking prior to the filing of the '640 patent application by the inventors. Other such problems were previously recognized and solved in the field of bottle inspection prior to the filing of the patent application by the inventors. Some of the problems specific to the bottle inspection field, including the effects of the edge of the bottle, was neither recognized nor solved by others prior to the filing by the inventors of the patent application which matured into the '640 patent.

19. The Court finds that both Williams and Calhoun, the named co-inventors of the patent in suit, possessed at least ordinary skill in the guided missile and missile tracking field, wherein the use of spaced recticle-AC systems or the electro-optical detection of objects against a background was well known prior to filing the patent application or the patent in suit. After organizing Industrial Dynamics, the inventors devoted a number of months in unsuccessful attempts to develop an operative system for detecting





particles in empty bottles before deciding that a scanning type of system was best suited for bottle inspection. Once it was decided that a centered optical system with a radial scan was best suited for bottle inspection, Industrial Dynamics Corporation required only approximately one month to design and construct its first prototype of the machine described in the patent. While the inventors appeared to have had some developmental problems, they were mostly engineering problems, i.e., problems related to the application of the inventor's mechanical and electronic skills.

20. The inventors constructed a number of different embodiments before filing in the Patent Office the patent application which formed the basis of the '640 patent. These embodiments were operative. They included systems having a reticle with a single translucent area and with a single opaque area and with the opaque area considerably larger than the translucent area, the reticle being included to provide spatial filtering when the reticle rotated. These embodiments further included RC circuits to detect the signal components representing small particles in the bottom of the bottles by selecting the range of frequencies representing such particles from other frequencies after the generation of such different frequencies by spatial filtering.

21. What the named inventors did would not be surprising or unobvious to a person skilled in the art.

22. Plaintiff's machines (the allegedly infringing 303 and Slimlight) seek the same end result of detecting foreign particles in a container as does the machine described in defendant's patent. However, the means employed by the SME devices to reach this end result are dissimilar from those taught by the patent in suit. The enumerated respects in which the Court finds them dissimilar are set forth in rather telegraphic reference to the wording of the following claims:

Claim 7. (a) The different areas of the bottle scanned by the SME machines do not include the center and progressive portions of the periphery of the bottle. In the SME machines the scanning member is rotating at a high rate of speed while the bottle is in continuous motion across the inspection zone. The mirrored slit of the SME scanning member does not extend beyond the center of the member. Therefore, before the center of the bottle reaches the axis of rotation, the scan of the trailing one-half of the sweep does not include the center of the bottle; and the





instant the center of the bottle goes beyond the axis of rotation, the scan of the lead one-half does not include the center of the bottle.

- (b) The detection circuitry of the SME machines is not concerned with rendering a repetitive alternating current signal output at the photocell. Plaintiff's machines are concerned only with the leading edge of a single pulse of electrical energy indicative of the presence of a foreign particle in the container. The fact that the photocell does set up a repetitive alternating current signal is irrelevant to the operation of the SME machine.
- (c) The rejection of a bottle by the SME machine is not dependent upon an alternating signal of a hoped for particular frequency or a discriminated band of frequencies as taught by the patent in suit. In the SME machines, rejection is primarily dependent upon the rate of change of amplitude of a single pulse of electrical energy indicative of the presence of a foreign particle. Such rejection derivative is achieved through the use of an RC differentiating network. The patent in suit teaches rejection selection through the use of an LC tuned circuit responsive to a particular frequency. While plaintiff's machines are concerned only with signals in the 200-5000 c.p.s. range, this is not comparable to the '640 patent wherein a specific frequency, dependent on the speed of rotation of the scanning disc times the number of disc spokes, is sought to be selected.

Claim 9.

- (a) The progressive segments of scan of the scanning member of the SME machines do not, at all times during the complete inspection period, include the center of the bottom of the bottle and progressive portions of the periphery, as discussed with respect to claim 7.
- (b) In the SME machines, the center (axis) of rotation of the rotatable means is not



actually disposed within the bottom of the container. However, while the actual center (axis) of rotation lies outside of the periphery of the bottom of the container, the optical axis, bent by the mirrored surface of the rotating member, does lie within the periphery of the bottom of the container. The offset of the axis of rotation of the SME rotating member is effected to provide a means for scanning the neck of the bottle, a result that is not achieved or taught by defendant's disclosure. This offsetting is done for a purpose that is unrelated to a simple attempt to avoid the charge of copying the claim, and the doctrine of equivalents for this reason is found not to apply.

- (c) As stated above with respect to claim 7, the SME machines are not concerned with indicating the presence of foreign particles by means of alternating signals in a relevant sense as taught by the patent.

Claim 18.

- (a) In the SME machines, the scanning area is not "substantially greater" than the size of the particle sought to be detected, in the sense that the quoted words are used in the '640 patent.
- (b) Because of the motion of bottle through the inspection zone, the SME scanning areas do not include, at each instant, the center and a portion of the periphery of the container. This is discussed above with respect to claim 7.
- (c) The circuitry of the SME machines does not undertake to detect particular alternating components in the photocell output signal in the manner taught by the patent in suit. In a detection sense, the machine taught by the patent in suit is interested in alternating signals of a particular frequency. As indicated hereinabove, with respect to claim 7, the SME machines are interested only in the slope or rate of change of the magnitude of a single pulse.



- (d) The SME machines are not concerned with particular levels, or magnitudes, of an AC Signal produced by the photocell as taught by the patent in suit. Plaintiff's machines are responsive only to the rate of change of magnitude of a pulse and not the ultimate magnitude of the pulse.

Claim 20.

- (a) As set forth in the findings relating to claim 9, the center (axis) of rotation of the SME scanning member is not within the periphery of the container.
- (b) The progressive segments of the areas of the bottle scanned by the SME machines do not include the center and portions of the periphery of the bottle. This was discussed above with respect to claim 7.
- (c) The SME machines are not concerned with producing an alternating current signal at a particular frequency and magnitude related to the size of the particle. The rejection portion of the circuitry of the patent in suit will reject a bottle only if the input thereto is an AC signal having a particular frequency, or selected range of frequencies, indicating the presence of a foreign particle. In the SME machines, the detection circuitry will accept signals over a broad range of frequencies but reject a bottle only if a single pulse received indicates a particular rate of change of magnitude.

Claim 21.

- (a) For the reasons indicative hereinabove with reference to claim 9, the center (axis) of rotation of the SME scanning member is not within the periphery of the bottle to be inspected.
- (b) As stated hereinabove with respect to claim 18, in comparison with the teachings of the '640 patent, the SME area of scan is not substantially larger than the cross-sectional area of a dirt particle sought to be detected.
- (c) The area of scan of the SME machines at any instant does not include the center of the bottle to be inspected.





Claim 22: (a) For reasons indicated hereinabove with respect to claim 7, the plaintiff's machines are not concerned about rendering an alternating current signal output, nor is the rejection of a bottle based upon an alternating signal in a relevant sense as taught by the patent in suit.

Claim 23: (a) For the reasons indicated hereinabove with respect to claim 7, the plaintiff's machines are not concerned with rendering an alternating current signal output in a relevant sense as taught by the patent in suit.

(b) The SME machines do not use an amplifier mean tuned to a specific frequency range. The fact that the plaintiff's machines set up frequencies ranging from 200 to 5000 cycles per second, does not constitute focusing on a "specific frequency range" in the sense taught by claim 23. Consequently, plaintiff's machines are not constructed to reject a bottle on the basis of an alternating current signal having a frequency within a specific range.

Claim 24: (a) The scanning member of the SME machines is not on a center located within the periphery of the bottle. This is discussed with reference to claim 9.

(b) As opposed to the teachings of the '640 patent, the SME scanning member does not have alternate radial opaque and translucent areas. Reading the patent as a whole, the term "areas" means more than one with respect to both opaque and translucent respectively. Referring to the SME scanning member it cannot be said that the opaque area extends in a radial direction out from the center in the same or similar sense as the opaque areas of the scanning disc disclosed by the patent in suit.

23. Based upon statement of defendant's counsel that the defendant is willing to predicate its case upon the claims hereinabove discussed, the Court has limited its detailed discussion to those claims. However, the evidence establishes, and the Court finds, that the remaining claims



at issue, namely 8, 10-15, inclusive, 17, 19 and 20 are not infringed by the SME machines.

## CONCLUSIONS OF LAW

1. The Findings of Fact and Conclusions of Law filed with this Court and signed January 24, 1967, following trial on the issues of the defendant's alleged misuse of the patent in suit are incorporated herein and made a part hereof by reference.

2. This Court has retained jurisdiction of the parties and of the causes of action set out in the Complaint and Counterclaim.

3. All of the remainder of the claims are properly at issue, and the defendant has chosen to predicate its case upon claims 7, 9, 18, 22, 23 and 24.

4. 35 U.S.C.A. Section 282 provides in part, "A patent shall be presumed valid. The burden of establishing invalidity of a patent shall rest on a party asserting it." Plaintiff herein is charged with that burden.

5. Whether arts are analogous depends upon the similarity of their elements and purpose. If elements and purpose in one art are so related and similar to those in another art that the relationship would appeal to the mind of a person having mechanical skill and knowledge of the purposes of the other, then the arts may be said to be analogous. The nature of the art or field of interest we are here concerned with is the detection of objects in a field of view by electro-optical techniques, rather than being limited to the bottle inspection field. (See also Finding No. 9.)

6. Electro-optical systems for the detection of objects in the sky, detection of material moving on a conveyor, detection of the presence of objects moving on the ground, and detection of objects in a container, all are systems which reside in an analogous art, and such systems employ similar elements in a similar relationship for a similar purpose. Further, such systems are related by the end object of seeking to detect an object having distinct light or dark characteristics in a background of different light or dark characteristics. (See also Finding No. 10.)

7. Both parties have properly characterized the patent in suit as a combination patent. In construing the patent, it must be read as a whole and the claims interpreted in the light of the specifications.





8. The evidence establishes and the Court concludes that each element of the patent in suit is anticipated in prior art references as such prior art is defined in Conclusions 5 and 6 hereof. No single element of the patent in suit constitutes invention. Scrutiny of combination claims should be even more detailed when, as with the patent in suit, the old elements have been previously employed in a similar relationship for a similar purpose, or when the elements perform the same function in combination as out of it.

9. Even if all the claims here in issue disclosed the combination of all of the elements of the alleged invention, each of such claims would be invalid for lack of invention over the prior art here concerned. "A patent for a combination which only unites old elements with no change in their respective functions,. . . obviously withdraws what already is known into the field of its monopoly and diminishes the resources available to skillful men."

Farr Co. v. American Air Filter Co., 318 F.2d 500,  
503 (9th Cir. 1963).

10. The validity of the '640 patent depends on the disclosure of a combination that "produces in some way or manner a surprising or unusual result which would not have been expected by a person having ordinary skill in the art."

Canadian Ingersoll-Rand Company v. Peterson Products  
of San Mateo, 223 F. Supp. 803, 808 (N.D. Calif.  
1963).

11. No claims in the patent are so broad as to purport to include each of the elements of the combination that the defendant contends for its patent, as set forth in Finding of Fact No. 4.

12. All of claims 7 to 15, inclusive, and 17 to 24, inclusive, are invalid as being obvious under 35 U.S.C.A. Section 103.

13. If the missile and star tracking field cannot be properly considered with the bottle inspection field as a single art of detecting objects in a field of view by electro-optical techniques, the system disclosed and claimed in the '640 patent constitutes an invention over the prior art relating to bottle inspection, and the patent is valid.





14. On each of plaintiff's allegations, the Court concludes that the defendant has not practiced a fraud on the United States Patent Office in its prosecution of the application for the patent in suit.

15. Plaintiff's contention that the claims of the patent in suit must fail because they are fatally ambiguous, indistinct and indefinite is rejected. Further, the Court concludes that the description contained in the patent in suit is sufficiently clear and concise to enable one skilled in the art to construct the disclosure thereof.

16. The Court concludes that the patent in suit does not fail for improper joinder of inventors. Plaintiff has failed to bring forth sufficient evidence tending to show that Wyman was not a proper co-inventor on said patent.

17. The previously stated conclusions of the Court with respect to the validity of the patent in suit preclude the necessity for the Court to rule upon plaintiff's contentions that claims 7 to 15, inclusive, and 17 to 24, inclusive, are invalid because they were filed more than one year after public use began.

18. The burden of proof is upon the one asserting infringement to establish the infringement of a patent by a preponderance of the evidence.

19. Where the elements of the patent are found in various prior patents in the same art field of interest, the patent will be construed strictly according to its terms. The terms in a patent must be strictly construed against the patentee in determining infringement. Claims must be construed not only in the light of the specification and drawings, but also with reference to the file history; claims must always be explained by and read in conjunction with, the specification and in the light of definitions and admissions made by the applicant in Patent Office proceedings.

20. In order for a patent to be infringed, each and every element of at least one of the claims of the patent must find its counterpart in the accused device, a situation that is not present here as to any claim.

21. In order to constitute equivalency of devices, it must be established that the same or similar functions are performed in substantially the same way or manner or by the same, or substantially the same, principle or mode of operation. Although the device disclosed in the '640 patent and the SME devices are similar from the standpoint of result (or function) (save the neck detection function of the SME machines, a capability not achieved by defendant's



device), they are dissimilar as to the means of achieving these results (or performing these functions), and therefore are not equivalent.

22. An invalid patent may not be infringed, and the Court accordingly concludes that none of the claims here concerned are infringed by the plaintiff's machines. Moreover, even if the patent in suit were in any respect to be declared valid, the Court concludes that it is not infringed, in light of Conclusion No. 20 hereof and Finding of Fact No. 22.

23. Plaintiff is entitled to a declaratory judgment on its Complaint that claims 7 to 15, inclusive, and 17 to 24, inclusive, of the patent in suit are invalid and not infringed.

24. Plaintiff is further entitled to a judgment dismissing defendant's Counterclaim and awarding costs to plaintiff for the portion of the litigation relating to patent validity and infringement. Each party will bear its own attorney's fees.



APPENDIX C

. PLAINTIFF'S EXHIBITS

<u>Plaintiff's Exhibits</u>	<u>For Identification</u>	<u>In Evidence</u>
1	119	123
2	119	123
3	129	130
4	185	190
5	195	197
6	258	260
7	274	274
8	276	276
9	278	278
10	292	292
11	292	292
12	297	297
13	297	297
14	316	317
15	339	341
16	339	341
17	347	349
18	350	351
19	350	351
20	350	351
21	369	370
22	389	390





<u>Plaintiff's Exhibits</u>	<u>For Identification</u>	<u>In Evidence</u>
23	389	390
24	393	394
25	393	394
26	398	398
27	399	399
28	401	401
29	420	421
30	423	425
31	423	425
32	426	427
33	426	427
34	506	508
35	545	546
36	545	547
37	545	563
38	545	563
39	568	
40	687	688
41	690	691
42	693	693
43	693	694
44	694	696
45	701	701
46	701	704
47	704	710



<u>Plaintiff's Exhibits</u>	<u>For Identification</u>	<u>In Evidence</u>
48	711	711
49	712	733
50	742	
51	746	750
52	823	1612
53		861
54		926
55	947	948
56	947	948
57	947	948
58	949	953
59	954	955
60	972	1089
61	1058	1561
62	1068	
63	1084	1084
64	1086	1090
65	1094	1466
66	1106	1106
67	1142	1142
68	1161	1162
69	1166	1166
70	1375	1397
71	1414	1612
72	1415	



<u>Plaintiff's Exhibits</u>	<u>For Identification</u>	<u>In Evidence</u>
73	1416	1491
74	1439, 1438	1438
75	1441	1455
76	1441	1610
77	1449	1452
78	1463	1465
79	1477	1637
80	1490	1491
81	1513	1513
82	1550	1550
83	1570	1574
84	1575	1575
85	1591	1591
86	1600	1609
87	1616	1632
88	1633	1633
89	1636	1793
90	1642	1642
91	1648	1648
92	1655	1660
93	1660	1666
94	1666	1673
95	1667	1673
96	1673	1677
97	1679	1681





<u>Plaintiff's Exhibits</u>	<u>For Identification</u>	<u>In Evidence</u>
98	1681	1684
99	1695	1695
100	1926	1926
101	1931	1949
102	1932	1971
103	1932	1971
104	1949	2159
105	1951	2178
106	1971	1984
107	1995	2193
108		2010
109		2085
110		2112
111	2131	2151
112	2152	2153
113	2152	2153
114	2152	2153
115	2152	2153
116		2150
117	2177	2178
118	2177	2178
119	2179	2187
120		2193
121	2195	2201
122	2201	2203



# I. DEFENDANT'S EXHIBITS

<u>Defendant's Exhibits</u>	<u>For Identification</u>	<u>In Evidence</u>
A	146	147
B	443	447
C	473	478
D	492	493
E	102	108
F	108	108
G	110	110
H	118	118
I	124	124
J	154	154
K	167	167
L	174	174
M	181	181
N	186	186
O	221	221
P	229	231
Q	232	242
R	242	242
S	243	245
T	245	247
U	249	251
V	253	253
W	254	254



<u>Defendant's Exhibits</u>	<u>For Identification</u>	<u>In Evidence</u>
X	258	259
Y	260	264
Z	269	295
AA	298	529
AB		337
AC	359	360
AD	360	360
AE	363	668
AF	409	429
AG	472	480
AH	481	486
AI	486	490
AJ	490	492
AK	402	493
AL	494	494
AM	517	523
AN	524	524, 2354
AO	564	565
AP	610	618
AQ	618	2353
AR	622	622
AS	623	623
AT	629	629
AU	630	631





Defendant's ExhibitsFor IdentificationIn Evidence

AV	631	
AW	641	
AX	651	661
AY	669	672
AZ	673	674
BA	674	677
BB	677	680
BC	681	681
BD	681	681
BE	684	684
BF	685	685
BG	685	685
BH	1008	1009
BI	1021	1023, 1397
BJ to BM, incl.	1022	1023
BN to BQ, incl.	1025	1025
BL to BQ		1312
BR	1277	1312
BS	1279	1312
BT	1285	1312
BU	1298	1312
BV	1304	1312
BW	1312	1322
BX	1323	1334
BY	1334	1611



<u>Defendant's Exhibits</u>	<u>For Identification</u>	<u>In Evidence</u>
BZ	1702	1703
CA	1703	1704
CB	1704	1706
CC	1708	1708
CD	1709	1709
CE	1710	1711
CF	1712	1758
CG	1712	1758
CH	1718	1758
CI	1722	1758
CJ	1750	1758
CK	1758	1760
CL	1760	1777
CM	1809	1820
CN	1837	1848
CO	1847	1859
CP	1859	
CQ	1860	2353
CR	1879	
CS	2055	2356
CT	2066	2080
CU	2066	2080
CV	2077	
CW	2082	2083



<u>Defendant's Exhibits</u>	<u>For Identification</u>	<u>In Evidence</u>
CX	2226	2239
CY	2239	2255
CZ	2255	2273
DA	2291	2294
DB	2293	2356
DC	2331	2331
DD	2361	
DE	2397	





APPENDIX D

Extract of Deposition of George L. N. (Leo) Meyer, Sr.

Taken December 18, 1965 (P. 31, L. 13 through P. 33, L. 25)

Now, I would like in particular to call your attention to Article Roman numeral XIV, and ask you, sir, how the wording in this agreement came into being. That is, who presented it, who proposed it, as it evolved in your negotiations from June of 1959 as it culminated in September of 1959?

Well, I would say that during the negotiations with Mr. Calhoun, we ran into a stalemate, neither of us could agree to anything the other wrote as a final agreement, and we then called in Mr. John Michaels of Michaels, Frederick & Best, and he drew up the agreement that was sent out to Calhoun and to his attorneys, I think which were Lyon and Lyon at that time, and most of the wording in this agreement was Mr. Michael's words and thoughts.

Well, Mr. Michael, of course, was reflecting the agreement or attempted agreement that you and Mr. Calhoun had been negotiating between yourselves, isn't that correct?

Yes.

Now, you have indicated that there were differences of opinion. You could not agree, that is you on behalf of Meyer Company and I assume you mean Mr. Calhoun on behalf of Industrial Dynamics, is that right?

Yes.



You presented this agreement, it was prepared on your behalf by Mr. Michaels?

That's correct.

Now, was this disagreement or inability to reach agreement related in any way to the agreement not to compete portion of the agreement?

I don't think that neither Calhoun nor myself had any disagreement on the contract. It was merely the wording of it we couldn't agree with it.

That's what I am discussing. Of course, I am asking about the wording of the agreement not to compete portion of the contract. I don't think so.

You don't think you had disagreement on that portion?

No.

There were disagreements on the wording of other portions?

Yes. The wording only. I think generally we were in agreement fairly quickly, but we couldn't write anything down that either of us would accept.

Yes, now, with respect to the wording which finally evolved in the one sentence constitutes Article Roman XIV on page ten of Plaintiff's Exhibit 8, will you tell me, sir, if this wording as you understood it in September of 1959, differed in any way from your understanding of the agreement that you wished to secure from Mr. Calhoun and his company regarding the subject of an agreement not to compete?



Well, I think this is an agreement not to compete in the bottle inspecting machine as cited in the original in the document here as the definition that will carry through.

In other words, on the bottle inspecting machine for ascertaining dirt in the bottle coming from a bottle washer.

(Emphasis added)





APPENDIX E

Extract Of Deposition Of Milton Shapiro

Taken May 4, 1966 (P. 25, L. 19 through P. 26, L. 23)

Do you recall any discussions at that time regarding the relationship of the companies, IDC and Meyer, that would follow subsequent to the entry into a contract regarding the right of IDC to compete with the Meyer Company?

I remember generally -- and this may be the first meeting or the second meeting; I am not sure which -- that Meyer did want some sort of protection against a competing machine that IDC might come up with. Now, how they worked out this -- there was some talk about whether they could get the protection, et cetera, but quite honestly this was not something I was concerned about. My concern was that if the deal could be made and made favorably, my employers would not only get back their money but may even make a profit.

As best you can recall, will you state for us what it was that Mr. Meyer asked for?

I can only sum it up in one word: protection.

ROSTON: At what meeting?

HORN: Q. Protection?

Protection.

Do you recall the statement being made or being used by Mr. Meyer such as an agreement not to compete?



Those words may have been used. I am not sure by whom. It may have been either by Mr. Meyer or by Fred or by both, or by somebody else.

What did you understand was being sought in this connection by Mr. Meyer?

I think what he was seeking was protection against having Industrial come up with a machine that would knock his machine -- 'his' being the one that he was going to be taking over -- out of the box. (Emphasis added)



## APPENDIX F

### Tabulation Of Cases Addressing Non-Compete

#### Clauses Similar to Article XIV

##### Clause

##### Case

11. The Licensee covenants and agrees during the term of this license agreement not to manufacture or use or rent any device which will be in competition with the device or devices covered by this license agreement.

McCullough v.  
Kammerer Corp.,  
166 F.2d 759 (9th  
Circuit, 1948),  
cert. denied,  
335 U.S. 813

12. The licensor covenants and agrees that during the term of this agreement, not to manufacture, sell, rent, license, use or in any way do business with the device or devices covered by this agreement.

(1948)

Touchett [plaintiff] agrees to be precluded from manufacturing or selling or causing the manufacture or sale of any of the items covered by the foregoing patents or of any paint rollers or paint trays substantially similar to the items covered by said patents provided only that Touchett shall be entitled to manufacture such items upon request and order of the corporation.

Touchett v. E Z  
Painter Corp., 150  
F.Supp. 384 (E.D.  
Wis. 1957)





The licensees further agree that they will not directly or indirectly enter into the leasing, manufacture or sale of any devices similar to the licensed device or competitive thereto so long as they operate under this license.

It is understood and agreed that during the term of this agreement, or any extension thereof, Second Party shall not manufacture or distribute in the United States and Canada any other safety type or automatic releasing ski binding other than that manufactured by First Party, together with any improvements developed by First Party and approved by Second Party.

"Second Party. . .further agrees not to merchandise or offer for sale any merchandise which could be competitive with any of the articles, items or merchandise manufactured and/or distributed by the First Party (Russel), without the written approval of the First Party."

Chamberlin v. Clark Bros., 96 F.Supp. 498 (S.D. Cal. 1951)

Berlenbach v. Anderson and Thompson Ski Co., 329 F.2d 782 (9th Circuit, 1964), cert. denied, 379 U.S. 830 (1964)

F. C. Russell Co. v. Consumers Insulation Co., 226 F.2d 373 (3rd Circuit, 1955)



"For the duration of this contract,  
[Heckethorn] agrees not to  
manufacture, sell or dispose of  
any other shock absorber which  
is competitive with the shock  
absorber covered by said patents."

Columbus Automotive  
Corp. v. The Oldberg  
Manufacturing Co.,  
387 F.2d 643 (10th  
Circuit, 1968)



## APPENDIX G

### SUMMARY OF CALHOUN'S TESTIMONY REGARDING STRAINED CONSTRUCTIONS ADOPTED BY MEYER AT TRIAL OF INFRINGEMENT AND VALIDITY ISSUES (RC CIRCUITS AS DIFFERENTIATORS)

Meyer, through Calhoun's testimony at the trial, attempted to further broaden its claim through a strained construction by contending that:

1. The RC circuits in the '640 patent serve a differentiating function (i.e., change the waveshape and thus render an output representative of the slope of such waveshape); this in order to interpret the claims to cover the slope detection technique of the SME machine as well as the frequency selection technique taught by the '640 patent.

2. The RC circuits in the '640 patent in fact serve to couple and not differentiate, and the Court so found. (Finding of Fact No. 5(a), R. 1940) This was amply supported by the evidence. (Appellee's Brief, p. 21, case No. 22592-A) Coupling and differentiating functions for an RC circuit are mutually exclusive (Griest Tr. 2110).<sup>1</sup>

To the very minor extent that it discussed any of the RC circuits therein, the '640 patent merely states, in passing, at Col. 5, line 5 that such serve the purpose of coupling one stage to another.

---

<sup>1</sup>References herein to "Griest" and "Ryde" are to Dr. Raymond Ward Griest and Mr. John L. Ryde, two of SME's expert witnesses.





An expert analyzing the patent, including its file history, would conclude that the RC circuits included therein not serve as differentiators, but rather as coupling circuits (Griest, Tr. 2124 and Ryde, Tr. 1474) Contrariwise, in order to function properly, the allegedly infringing machines require RC differentiating circuits. (Griest at Tr. 2110)

3. Calhoun testified on deposition (Ex. 71) that the circuits in the '640 patent served a coupling function; at the trial he testified that they served a differentiating function. The Trial Court stated that Calhoun in his deposition testified that RC circuits in the '640 patent serve as couplers and at the trial was trying to twist them into differentiators. (Ex. 2694)

4. Williams in his deposition in evidence (Ex. 71) testified that the '640 patent electronically did not differentiate, i.e., employ slope detection, while SME's machines do so operate. More specifically, Williams at page 10, lines 10-26, answered as follows:

"Q Is it your understanding that the SME system, from an electronic signal processing point of view, is concerned at all with the shape of the output signal as opposed to amplitude, for example?

A. It is my understanding that the SME system is concerned with the shape of the detector output signal, in that the amplifier used in the SME system, as I understand it, has a rising amplitude versus frequency characteristic or from the time domain point of view is essentially a differentiator.

Q. And therefore it is looking at the rate of



change of the signal, is that not right, of the shape of the signal?

A. Yes, it tends to do this.

Q. Does the '640 system do this in its detection mechanism electronically?

A. No."

And Ryde at Tr. 1687 and Griest at Tr. 2098-2101

Similarly testified.

5. For the RC circuits(labeled A, B, C, E & E in k. 73) to serve as differentiators and contribute to an important feature of the operation of the '640 patent, it would seem that they ought to have been so discussed in the patent. But in fact the opposite is the case. The only instance where they are discussed in the patent is at column , line 5 where they are stated to serve as couplers. So unimportant were these RC circuits considered by the inventors, that they were not even awarded reference numerals in the specification and drawings of the patent.

Thus, it may be readily seen that such strained constructions did no more than confuse the major issues before the Trial Court and unduly prolong the trial.



## APPENDIX H

### SUMMARY OF MEYER'S TRIAL DEMONSTRATION REGARDING THE EQUIVALENCY OF '640 AND SME DETECTION CIRCUITS

At the trial, Calhoun demonstrated an alleged emulation of a machine corresponding to the '640 patent and the SME machine. An electronic amplifier (Ex. AA) was introduced into evidence and testified to by Calhoun as being representative of both machines; a switch was provided to have it work in one version or the other (Tr. 410) Also introduced in evidence was a circuit diagram (Ex. AF) depicting the circuitry of Ex. AA.

That Ex. AA was in fact representative of the '640 machine was clearly demonstrated to be untrue in the following three respects:

1. The inductor, or coil, equivalent to 82 of Figure 4 of the '640 patent, was of an extremely low Q, or quality; it being approximately 0.44 instead of the order of magnitude contemplated by the patent. Williams testified on deposition that a Q of 5 was appropriate for the coil in accordance with the '640 patent. (Williams Depo., p. 129, 810) Ryde Tr. 1631 and Griest Tr. 2114 also so testified.<sup>1</sup>

---

References herein to "Griest" and "Ryde" are to Dr. Raymond Edward Griest and Mr. John L. Ryde, two of SME's expert witnesses.





2. A resistor was wired in parallel across the circuit (comprising a capacitor and a coil ostensibly equivalent to the L and C, numbered 80 and 82 in Figure 4 of the '640 patent) and this resulted in swamping whatever tuning effect the LC circuit in Ex. AF might otherwise have had, thus destroying its tuning capacity (Tr. 1621).

3. Because of the above, the test performed in the court by Calhoun (Tr. 407) gave the impression that Ex. AA functioned in a similar manner as does the alleged-infringing SME machine when in fact it did not. The over-coupled circuit of (Ex. AF) was not the same or equivalent to SME's machine (Tr. 2118).

After the demonstration of Ex. AA, SME made a demonstration of its own to show the manner in which a resistor used across an LC tuned circuit swamps out the tuning effect of such circuit beginning at Tr. 1600 (Ex. 86). When he testified at Tr. 1614 that Ex. AA was not in accordance with the '640 patent and explained why (mentioning the provision of the swamping resistor), the Trial Court on its own asked Ryde why he thought the resistor was placed there by SME. Mr. Ryde charitably replied at Tr. 1623 that an answer would be "pure speculation" and said further, "I really don't understand it."



IN THE  
UNITED STATES COURT OF APPEALS

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	)	
	)	
	)	No. 22592-A
EO. J. MEYER MANUFACTURING	)	
O.	)	
	)	
Appellant,	)	
vs.	)	
	)	
AN MARINO ELECTRONIC	)	
CORPORATION	)	
	)	
Appellee.	)	
	)	

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Appeal from the United States District Court  
for the Central District of California

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**APPELLANT'S BRIEF**

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**FILED**

MAY 14 1968

WM. B. LUCK, CLERK



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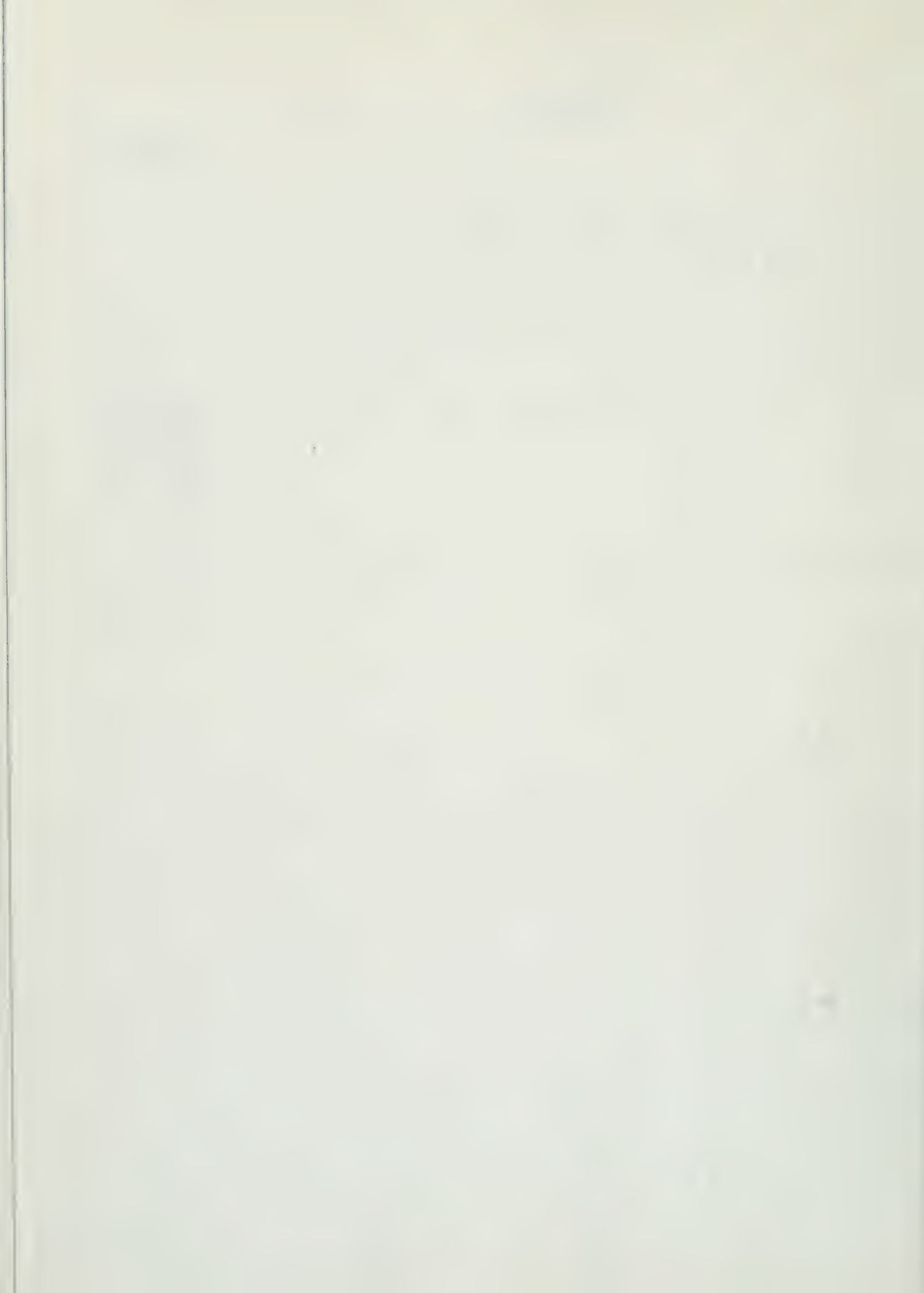
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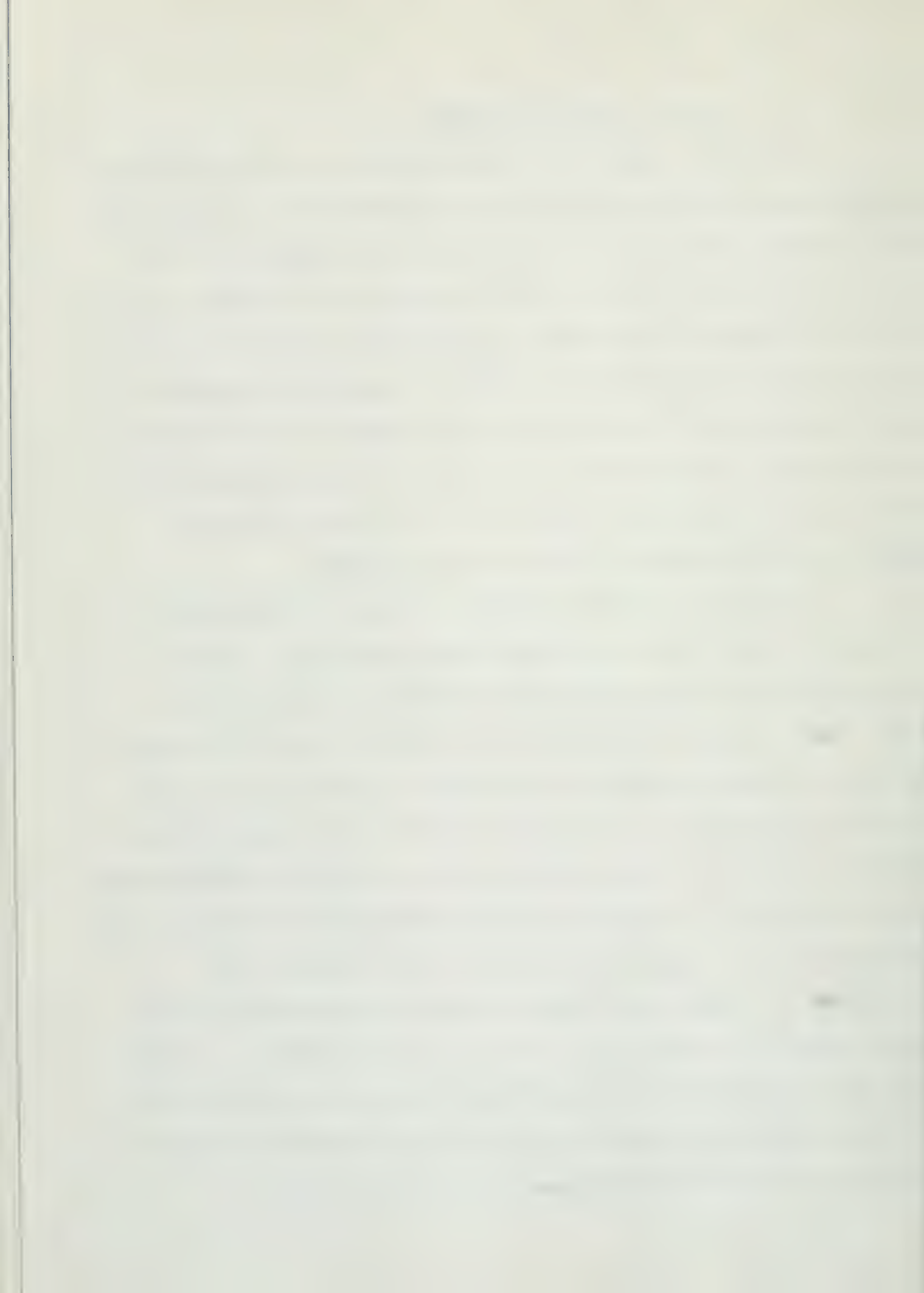


A. JURISDICTIONAL STATEMENT

Defendant appeals from those portions of the Order and Judgment entered in Civil Action No. 64-1421-WPG on October 10, 1967, holding Claims 7 to 15, inclusive, and Claims 17 to 24, inclusive, of United States Letters Patent No. 3,133,640 invalid, and not infringed by the making and selling by plaintiff of its Models SME 303 and SLIMLIGHT machines; dismissing defendant's counterclaim against plaintiff for infringement of said claims of said patent; and awarding plaintiff its costs incurred in that portion of the trial relating to the issues of patent validity and infringement, as taxed by the Clerk.

The Second Amended Complaint alleged jurisdiction of the District Court over the second claim for relief therein; pleaded under §§ 1338 and 2201 and 2202 of the Judicial Code of the United States (Title 28, U.S. Code), in that the action was for declaratory judgment with respect to the validity and alleged infringement and non-enforceability of a United States patent (R. 105-111). Defendant's counterclaim for infringement of said patent No. 3,133,640 averred jurisdiction of the District Court also under § 1338 of Title 28 of the Judicial Code (R. 154-158). There was further pleaded by plaintiff in the Second Amended Complaint, as a first claim for relief, a claim under the antitrust laws of the United States (R. 94-104), and as a third claim for relief, a claim for declaratory judgment of invalidity and non-infringement of another patent





(No. 3,081,666)(R. 112-116). The latter claim for relief was subsequently dismissed by stipulation of the parties (R. 810); and the antitrust claim was severed by Pre-Trial Order No. 1 and deferred both for discovery and trial until after the trial of the second claim for relief involving patent No. 3,133,640 (R. 836-837).

The issue as to whether defendant had misused patent No. 3,133,640 was tried first during September 27, 28, 29 and 30, and resulted in a ruling in favor of defendant (Tr. \*725-741). Appropriate findings of fact and conclusions of law were signed by the Court on January 24, 1967 (R. 1813-1837). The issues of patent validity and infringement of patent No. 3,133,640 were tried commencing January 3, 1967 and concluding January 31, 1967 (Tr. 1-2515). On April 7, 1967, the District Court filed a memorandum of its tentative conclusions (R. 1847-1851) and then heard further argument of counsel on April 17, 1967, with respect to such tentative conclusions (Tr. 2516-2614). On June 9, 1967, the Court filed a further memorandum of its conclusions respecting the issues of validity and infringement (R. 1862-1867), and heard further argument of counsel with respect to such conclusions on June 16, 1967, thereupon indicating its final conclusions orally from the Bench (Tr. 2683-2706). Findings of Fact, Conclusions of Law and Order and Judgment (the latter referencing the Findings of Fact and Conclusions of Law on the misuse issue signed January 24, 1967) were entered October 10, 1967 (R. 1938-1958).

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\* The page references are to the patent portion of the trial; however, the page references with an asterisk are to the misuse portion of the trial.



Although the District Court in its October 10, 1967, order and judgment did not thus adjudicate the antitrust claim for relief pleaded in the Second Amended Complaint, the Court expressly determined, pursuant to Rule 54(b) of the Federal Rules of Civil Procedure, that there was no just reason for delay and expressly directed that final judgment be entered upon all severed claims theretofore tried by the Court (R. 1959-1962). Jurisdiction of this Court of Appeals over the present appeal is, therefore, predicated upon Section 1291 of the Judicial Code.

Defendant's notice of appeal was filed November 6, 1967 (R. 1963-1964).

B. STATEMENT OF THE CASE

1. The Present Action

Plaintiff commenced the present action for declaratory judgment of patent invalidity, non-infringement and patent misuse and alleged antitrust violation in the Fall of 1965 shortly after plaintiff had been charged by defendant with infringement of the patent-in-suit (Pltf. Exh. 10). Defendant counterclaimed for patent infringement. Defendant is the assignee of that patent pursuant to the terms of an Agreement dated September 21, 1959 (Pltf. Exh. 9 ).

2. The Invention of the Patent-in-Suit

(a) The need in the Bottling Industry for, and purpose of, the Invention of the Patent-in-Suit

The invention of the patent-in-suit is entitled in the patent as "BOTTLE INSPECTION SYSTEM". The purpose of this





"System" is to detect dirt particles or foreign objects in empty bottles after the bottles have been washed in a bottling plant and are moving rapidly toward a station where they are to be filled and later capped.

By 1957, with the automation of other types of bottle handling equipment, including washing machines, conveyors, fillers, cappers etc., bottles were being moved in their processing lines at from 100 to 600 per minute (Tr. 127). Such automation, however, presented a serious problem in the necessity for properly inspecting the washed bottles prior to filling (Tr. 127, 907-908). Although certain machines had been on the market, they were not widely employed, nor were they highly thought of by such large bottlers as the Coca Cola Company (Tr. 908). The generally accepted way of accomplishing the inspection of empty bottles was by human visual inspection (Tr. 127, 907-908). But even when the inspection was divided between two persons, it was difficult for human beings visually to check bottles passing along a line at 600 per minute (10 bottles a second)(Tr. 907-908). Such visual inspection could hardly be expected to catch bottles with relatively small particles, as for example particles as small as one-eighth of an inch in diameter (Tr. 127).

The only machines for inspecting empty bottles on the market in 1957 were the Mayer Twin-Beam machine and another machine known as the "Photoelim" (Tr.\*172-173; \*251-252; 618-622; Exh. 1-2). Both of these machines were direct current (DC)





machines the operation and limitations of which will be discussed infra pages 16-19.

There was also a full bottle inspection machine offered by the Radio Corporation of America, but this full bottle inspection machine spun the full bottle so as to circulate its contents (Tr. 613), an operation which could not physically be performed at rates even approaching 10 bottles a second without shattering the bottles. Further disadvantages were that the bottle was inspected only after having been filled and that particles stuck to the bottom of the bottles would not be detected (Tr. 615) and floating objects would not be detected.

Thus, in 1957 there existed an unfilled need, in the vast bottling industry in this country, for a device which could rapidly and effectively inspect bottles moving at a high rate of speed along a conveyor line after washing and before filling of the bottles.

In his Findings of Fact, the District Court stated:

"The need for a satisfactory machine for inspecting empty bottles for foreign particles existed for a considerable period of time before the invention of the embodiment of the '640 patent." (Finding No. 12(b); R. 1943).

(b) The Machines in Use Today

When the patent portion of this action was tried in January 1967, there were three types of bottle inspection machines



on the market and widely used in the bottling industry in the United States (Tr. \*118). These three machines were:

(1) The Meyer Mark IV machine which originated with the three joint inventors of the patent-in-suit (Tr. 263-269, 2352, \*181). The Meyer Mark IV machine incorporates the features of the patent-in-suit (Tr. 472-480).

(2) The Barry-Wehmiller machine, which was devised by James H. Wyman, one of the three inventors of the patent-in-suit, after he terminated his association with the company founded by the three inventors (Tr. \*169). The Barry-Wehmiller machine employed the same concepts as the '640 patent (Tr. 624-630); and

(3) The San Marino machine which is charged to infringe and was devised by Robert Husome -- who had worked for Wyman when the latter was perfecting the Barry-Wehmiller machine -- after Husome terminated his association with Wyman (Tr. \*114-117, \*137).

These three types of machines have almost completely supplanted all other empty bottle inspection machines which have ever been marketed in this country (Tr. \*118, 903-910).

In this connection the District Court found as follows in Findings 12(c) and 12(d):

"The invention of the '640 patent has enjoyed considerable commercial success.









A bottle designated as 10 is shown at a particular instant when it is essentially centered in the inspection zone (Tr. 296). A light source or lamp 20 is disposed below and centered with respect to the bottle (Tr. 296). An opal glass diffuser 22 is disposed directly beneath the bottle and between the bottle and the light source (Tr. 296). Directly above the bottle is a lens 28 which is used primarily to focus the image of the bottom of the bottle on a reticle 30; and directly above the reticle 30 is a photocell 24 (Tr. 296). The reticle is a disc which, in the Figure 2 embodiment, is constructed with a series of alternate opaque and translucent pie-shaped areas. In the embodiment shown in Figure 1, both the reticle and the lens are mounted within a cylinder which is rotated by a motor 36 and pulley 38 (Tr. 296).

A physical embodiment of the thus illustrated mechanical set-up of the patent was introduced in the form of Plaintiff's Exhibit AA (Tr. 298). Exhibit AA differs in that the lens is not spun with the reticle, but this does not affect the optical qualities of the lens or affect the operation of the system (Tr. 297).

In Figure 1 of the '640 patent-in-suit, the light source (including the opal glass), the center of rotation of the reticle and center of the photocell are all located on a common axis (Tr. 300). Because of this, the optical system in the '640 patent may be considered as a "centered optical system".



The system is triggered by an electronic process for inspection when the bottle becomes disposed in the correct position to initiate its examination (Col. 2, lines 64-71 of Exh. 10 and Tr. 300). This correct position of the bottle occurs when the center of the bottle has been conveyed to a position a relatively short distance, such as approximately one-sixteenth inch, in front of the center line extending through the centers of the light source 20, the lens 28 and the reticle 30 (Tr. 300-301). The examination of the bottle continues through the period of time during which the center of the bottle is being conveyed to a relatively short distance, such as approximately one-sixteenth inch, beyond the center line extending through the centers of the light source 22, the lens 28 and the reticle 30 (Tr. 300). It is one of the features of this type of scanning device that the bottle does not have to be exactly centered at all times, since the scanning device does not introduce an extraneous signal if the bottle is slightly off-center (Tr. 301). The number of revolutions the reticle makes during the movement of the bottle through the inspection zone depends upon the speed at which the bottles are moved along the line; the reticle should make at least one complete revolution while the bottle is in the inspection zone, so the system is designed to provide for at least one revolution of the disc on the high speed lines, e.g. 600-700 per minute; but on a slow line, during the same period of movement, it may scan four or five times (Tr. 301-302).





When the bottle is clean, the spinning of the reticle produces no change in the total amount of light which passes to the photocell through the bottle and reticle (Tr. 280-286, 411-417 and Exh. Z). However, should a foreign particle appear in the bottle, the covering and uncovering of the particle by each opaque segment of the reticle will result in the production of variations in the amount of light reaching the photocell at progressive instants of time (Tr. 157-171, 292-294). These variations result because the total amount of light passing through the reticle to the photocell remains a maximum when the particle is so disposed that it does not block the passage of any light through the translucent segments of the reticle (Tr. 157-171). However, the amount of light passing through the translucent segments decreases from this maximum when the reticle rotates to a position where the particle blocks the passage of light through the translucent segments of the reticle (Tr. 157-171).

The variations in the amount of light reaching the photocell cause the photocell to produce an alternating current electrical signal or pulse with characteristics corresponding to the characteristics of the light variations (Tr. 157-191). Alternating current (AC) may be defined as a flow of electricity which reaches a maximum in one direction, decreases to zero, then reverses itself and reaches maximum in the opposite direction, with the cycle repeated continuously (Tr. 133). However, there are many forms of AC; when people speak of AC, they usually





refer to waveforms that fluctuate as a function of time (Tr. 136) to distinguish the steady state (or dc) signal. The number of cycles of fluctuation per second is called the frequency (Tr. 133). AC is a term that is used rather loosely in the electronics industry (Tr. 135). Among the AC waveforms are square or rectangular waves, sine waves and pulse trains (Tr. 137, 147; Pltf. Exh. E). An alternating current pulse is an alternating current wave of brief duration (Tr. 138-140). A pulse is a particular form of alternating signal and is usually differentiated from a continuous alternating signal in not occurring as often or repetitively (Tr. 139). A pulse is made up of alternating currents (Tr. 152) of different frequencies and can be synthesized from AC components or alternating sine waves (Tr. 152) of different frequencies. It is a special form of alternating current (Tr. 180).

The alternating current signal or pulse produced by the photocell has a fundamental frequency determined by the speed of rotation of the reticle times the number of opaque segments (or spokes) in the reticle (Tr. 2383-2384). However, the alternating current signal or pulse also has other frequencies dependent upon the characteristics of the particle (Tr. 190-198). These other frequencies are integral multiples of the fundamental frequency (Tr. 190-198).

The system of the '640 patent essentially picks up the alternating current signal or pulse produced by the reticle



passing over the image of the particle, which signal or pulse may be quite small in amplitude or intensity. The system then amplifies that signal by electronic techniques while simultaneously attenuating what would otherwise be interfering alternating current signals or pulses of different frequency characteristics (and of much greater initial amplitude than the particle-indicating signal or pulse) (Tr. 221-225, 306). These interfering signals or pulses may be produced by the edge of the bottle, stippling and lettering in the bottle bottom and other causes not related to the presence of the foreign particle in the bottle. Some of the interfering signals, and particularly the signals representing edge effects, have magnitudes considerably in excess of the magnitudes of the signals produced by the particles in the bottoms of the bottles so as to mask or obscure the signals produced by the particles at the bottom of the bottle (Tr. 199-207, 498-499, 2375-2379). The edge effects produce signal components with frequencies below those produced by the particles in the bottom of the bottle (Tr. 2375-2379), and the signal components representing stippling and lettering at the bottom of the bottle have frequencies above those produced by the particles in the bottom of the bottle (Tr. 1170-1171, 1885-1887). The operation of the reticle to produce, during rotation of the reticle, signals having different frequencies representative of particles in the bottom of the bottle, edge and other effects in the bottle and stippling and lettering at





the bottom of the bottle is known as "spatial filtering" (Tr. 2375-2379).

In addition to utilizing the thus-produced alternating current or pulsed signals, the patented system also responds to changes in the direct current output of the photocell in the following manner:

The overall intensity of the light passing through the bottle to the photocell is dependent upon the translucent characteristics of the bottle (Tr. 289-295). Thus, a clean transparent bottle passes the maximum amount of light through the spanning reticle to the photocell so that the photocell produces its highest direct current (DC) signal (Tr. 289-295). With relatively opaque bottles or generally dirty bottles, the intensity of the light reaching the photocell decreases so that a direct current signal or decreased amplitude appears at the output of the photocell (Tr. 289-295). Similarly, when a large particle such as a cigar butt covers a substantial portion of the bottom of the bottle, the intensity of the light reaching the photocell (and its DC output voltage) decreases substantially (Tr. 199-207). The overall intensity of the light reaching the photocell (and DC output voltage) remains substantially constant at one level during each revolution of the reticle for a bottle of a particular opacity or at a second level for a generally dirty bottle or at a third level for a bottle with a large





particle in it. In this way, the substantially constant light intensity for each individual bottle can be measured to determine whether the bottle is opaque or has large particles in the bottom of the bottle.

Electronic circuitry is provided in the '640 system for separating the alternating current signals from the direct current signals and for individually processing the alternating current signals and the direct current signals (Tr. 304-314). For example, the alternating current signals and the direct current signals from the photocell 24 are amplified by the amplifier 46 (Tr. 304). The direct current signals trigger a bottle rejection mechanism when the direct current signal is less than a particular value, thus indicating that the bottle being inspected is undesirably opaque or that there is a large particle in the bottom of the bottle (Tr. 308).

The alternating currents produced by the photocell 46 are passed through the amplifier 50 only during the inspection period described above (Tr. 304-314). This amplifier 50 operates as an electronic filter to pass only the signals at the frequencies representing the particles and attenuate the signals at all other frequencies (Tr. 306). In other words, the amplifier 50 discriminates the signals representing the particles from the signals representing undesirable effects which cloud the effects of the particles. If the signals at the frequencies representing the particles have an amplitude



greater than a particular value, the signals are detected by the circuit 52 so as to trigger a bottle rejection mechanism 56 (Tr. 307-308). This enables the plunger 58 to push the bottle from the conveyor into a reject slide.

The use of a centered optical system to provide spatial filtering and the use of electronic circuitry to provide electronic filtering constitute the basic concept of the '640 patent. By providing such a combination of features, the '640 patent constitutes the first system for detecting small particles in bottles while scanning the entire bottom of the bottle.

### 3. How the Invention of the Patent-in-Suit was made

For several years prior to 1958, Fredrick L. Calhoun, James Wyman and Donald Williams had been working in the Systems Analysis Department of the Guided Missile Division of Hughes Aircraft Company (Tr. 99,\*171) where they had become acquainted with each other (Tr. 99). Each of them had his own "home" type project and some equipment (Tr.\*171). In 1957 they decided to pool their resources, form a legal entity and buy some equipment with which to experiment (Tr.\*171). The legal entity so formed was a corporation by the name of Industrial Dynamics Corp. (Tr.\*171).

In 1955 Wyman had been at Western Research doing some work with a group for the dairy industry (Tr.\*172). One of the members was president of Adohr Milk Farms and he had told





Wyman about problems with foreign objects in milk bottles (Tr.\*172). However, Wyman did nothing further about bottle inspection until it was discussed again by his friend in 1957. After this discussion, work was begun by Wyman and Calhoun on a machine to look for foreign objects in milk bottles (Tr.\*172).

According to Calhoun, Wyman asked Calhoun if he could design and make a device that would detect foreign ingredients in bottles (Tr. 99). Shortly after Wyman and Calhoun began this project, Williams was asked to join in the venture and did so (Tr. 99-100).

Calhoun, Williams and Wyman first had an inexpensive patent search conducted in the Fall of 1957 by the patent firm of Smyth & Roston, and acquired and studied a group of 30 or 40 patents on bottle inspectors (Tr.\*173; 235-236). Work was commenced to ascertain whether a device could be constructed which would be able to detect something the size of a nickle or penny in the bottle (Tr. 100). At that time Wyman and Calhoun were aware of the fact that the Mayer Twin-Beam machine (Tr.\*172-173;\*251) was on the market. Calhoun had also received literature on the "Photoelim" empty bottle inspector (Tr.\*251-252).

The first means devised by the three associates to inspect an empty bottle were very crude (Tr. 100-101). This crude means comprised what is commonly referred to as a DC system, or average light system (Tr. 101). The three associates attempted to measure by photoelectric techniques the average





light that passed through a bottle when a light source was placed underneath that bottle, and to see if this average light varied from bottle to bottle (Tr. 101). As Calhoun described it: They used a lamp underneath the bottle and an opal glass to diffuse the light so that the light would be uniform close to the bottle; the light passed up through the neck of the bottle, and above the bottle they located a photocell to receive the light (Tr. 112-113; Plft. Exh. H). The photocell converted the received light into an electrical signal having characteristics representative of the light (Tr. 113). As the intensity of the light changed, so did the signal on the photocell (Tr. 113). The photocell was connected to a DC amplifier and the latter was monitored (Tr. 113-114). If an object large enough to block a substantial portion of the light was placed in the bottle, a reduced intensity of light reached the photocell and the DC value changed (Tr. 114) sufficiently to cause the bottle to be rejected.

The difficulty with such a system is that one could sample only the average light passing through the bottle and measure its absolute value (Tr. 115). Hence if the variations in the light passage due to a change in the color of the bottle was as great as, or greater than, the variation in light passage caused by the presence of a particle in the bottle, the DC system would not detect the particle (Tr. 115-118). This observation was confirmed by tests run in the Industrial Dynamics Corporation plant (Tr. 118).



The three associates engaged in various attempts to perfect this DC system. For example, they divided the bottom of the bottle into discrete sectors, each with its own photocell; they also inserted the photocell into the bottle; and they used different light sources to increase the sensitivity of the system (Tr. 119-120). These efforts consumed three or four months (Tr. 120). However, they were never able to obtain a DC system that would reliably detect small objects in a bottle (Tr. 120).

Through Wyman's friendship with the owner of Adohr Dairy Farms in Los Angeles, the first unit which the three joint inventors made was tested in the Adohr Dairy (Tr. 124). After exhaustive tests had been conducted on the DC method, Wyman, Williams and Calhoun had a long meeting to discuss six or seven other possible inspection techniques that could be used, all of which were alternating current (or AC) techniques (Tr. 132).

Once they found that the DC type system would not be useful for empty bottle inspection, Calhoun, Williams and Wyman considered various types of scanning techniques (Tr. 232) to be used with an AC system. As Dr. Greist testified, the number of different scanning systems that could be used was countless (Tr. 2307 ). At that time there were many systems that had been used and were being used in fields other than bottle inspection systems, and the three associates examined each one to try to determine which would be best suited for empty bottle inspection (Tr. 232). Among the scanning techniques so considered were the following:

- a. Raster Scan - This is the type of scan which





occurs in television sets where the scanning is accomplished by an electronic beam moved in a series of parallel straight horizontal lines each disposed slightly below the previous one (Tr. 232-235; Exhs. Q and S). The difficulty with using this type of scan is not obvious at first; but, when one superimposes the raster scan over a round bottle, the scanner cannot differentiate between darkness caused by a particle and that caused by the scanner passing over the edge of the bottle (Tr. 234-235). Further, this type of scanning has no ability to produce any particular type of pulses to enable one to obtain frequency discrimination between the signals produced by the particles and the signals produced by the edge of the bottle and lettering at the bottom of the bottle (Tr. 235). Hence this type of system was discarded (Tr. 235). A raster type of scan was disclosed in some of the patents which the three joint inventors received in the patent search conducted in the Fall of 1957, including at least one patent issued to Mr. Stoate (Tr. 236), one of plaintiff's principal witnesses.

b. Spiral Scan - This system is used in many applications, particularly in radar and other applications where one applies the signal to a round-type screen. Passage of a small light spot is started on one edge of a disc and is moved in a circular pattern and inwardly to produce a spiral pattern; or conversely, the scan may be started at the center and spiralled outwardly (Tr. 236, Exhs. Q and T). As with a raster scan, this type of scanning does not provide the characteristic of spatial filtering (Tr. 237-244) such that the signal components representing the particle can become separated in frequency from the signal





components representing undesirable effects such as the edge of the bottle and the lettering at the bottom of the bottle. The spiral system was therefore also discarded (Tr. 237). Although Calhoun was not certain that this spiral system was disclosed in any of the patents which he had received in the patent search, he was familiar with it from working with radar and television (Tr. 238-239).

c. Light Chopper - This system employs a reticle similar to that shown in the patent-in-suit, but it is not centered on the field to be inspected and is not practical for application to inspecting empty bottles (Tr. 239, 250, Exhs. Q and U).

After evaluating every scanning system that they could think of, the three inventors came up with the centered optical scanning system (Tr. 240; Exhs. Q and V) which forms a part of the '640 patent. Calhoun admitted that the centered reticle itself is not a new device, having been used in other fields; but he asserted that it was certainly new in the field of empty bottle inspection, particularly the way they used it in combination with their amplifying system (Tr. 241). At the time that Calhoun received the patents in the patent search, he stated he could not construe or could not even put together any centered reticle system out of all the patents he had found; he knew of centered reticle system in other applications (Tr. 253) (e.g. in missile and star tracking at Hughes) but he did not find a patent that suggested the use of such a device for a bottle inspector (Tr. 253).



In working with the centered reticle, the three joint inventors tried a number of different types of reticles (Tr. 262). After the centered reticle system was suggested, it took several months to provide a system that would operate successfully and give any type of indication of a particle in the bottle (Tr. 266). The first centered reticle system made by the joint inventors did not work at all (Tr. 266) in that at first there were a considerable number of extraneous modulations within the scanning system itself - extraneous signals that were very hard to eliminate (Tr. 267). An amplifier system had to be developed that would meet the requirement of discriminating frequencies (Tr. 267). There were problems in the timing of the system to be sure that it inspected the bottle in the correct place at very high speeds and that no transient or unwanted signals were introduced into the system by way of the triggering cycle (Tr. 268).

The first system did not employ a combination of AC and DC (Tr. 269). Initially the three joint inventors separated the AC from the DC so they could work out each circuit, and then later they combined them (Tr. 269). They had to find a way to best combine the AC and the DC components (Tr. 268 ). Prior patents had not been successful in effecting any such combination since such prior patents related to full bottle inspection techniques which did not work for empty bottle inspection (Tr. 268).

The joint inventors found that a principal problem was to discriminate the signal produced by a particle in the bottle from electrical background noise which could come from a number





of sources, such as fluorescent lamps, signals induced into the amplifier, scan noises, or noise off the bottom of the bottle (Tr. 270). These were usually relatively low frequency signals (Tr. 271). The term "noise" means undesirable signals such as edge effects which are produced at the bottom of the bottle (Tr. 270).

d. Other Techniques and Alternative Devices Considered and Tested by the Inventors - In developing their bottle inspection system to the form disclosed in the '640 patent, the inventors tried reticles having a plurality of alternately disposed, evenly spaced opaque and transparent segments and reticles having a plurality of alternately disposed, unevenly spaced opaque and transparent segments (Tr. 481-486). They also tried reticles having only a single transparent segment (Tr. 481-486) and a single opaque segment.

The inventors also tried optical systems which reflected light to the photocell rather than passing light directly to the photocell (Tr. 487-490). The system worked satisfactorily with the different types of reticles and with the reflective optics (Tr. 481-490). All of these alternatives were tried before the filing of the patent application which matured into the '640 patent (Tr. 481-490).

4. The Prior Art Patents relied upon by the District Court in holding the Patent-in-Suit Invalid

In order to hold that the patent-in-suit was invalid for obviousness under Section 103 of the Patent Codification Act,





the District Court first had to determine that the scope of the field of the art from which prior patents could be taken was much broader than bottle inspection, since the Court specifically found that "...all of the elements in the patent in suit do not have counterparts in the field of bottle inspection (Finding No. 13; R. 1944); and further:

"The '640 patent discloses the first system for detecting small particles in the bottom of a bottle while scanning the bottom of the bottle, including the edge of the bottle, without masking the edge of the bottle." (Finding No. 12(a); R. 1943)

Consequently, the District Court made the following findings of fact:

"9. The nature of the art we are here concerned with is the detection of foreign objects in a field of view by electro-optical techniques, rather than being limited to the bottle inspection field. (This finding also appears as conclusion of law No. 5.)

"10. Electro-optical systems for the detection of objects in the sky, detection of material moving on a conveyor, detection of the presence of objects moving on the ground, and detection of objects in a container, all are systems which reside in an analogous art, and such systems employ similar elements in a similar relationship for a similar purpose. Further, such systems are related by the end object of seeking to detect an object having distinct light or dark characteristics in a



background of different light or dark characteristics." (Findings Nos. 9, 10; R. 1941-1942).

However, even having made the determination that the relevant art includes patents thus broadly outside the field of bottle inspection, the District Court found in paragraph 11(f) -

"(f) No single reference cited by plaintiff discloses a bottle inspection system employing techniques of spatial filtering or the combination of spatial filtering and electronic frequency selection as defined in paragraph 4 of these Findings of Fact." (Finding No. 11(f); R. 1943).

However, the Court then went on to make the Findings which are quoted in Appendix A.

By including the Findings quoted above, the District Court defined the relevant prior art not as that of bottle inspection patents or publications, but rather as patents broadly having to do with the detection of objects in a field of view by electro-optical techniques. Included within the latter are patents on devices and techniques for the tracking of stars and missiles. When the teachings are taken into consideration, the District Court concluded that the invention of the patent-in-suit would have been obvious to a man of average skill in the art so broadly defined. However, the District Court did include the following Conclusion of Law:

"13. If the missile and star tracking field cannot be properly considered with the bottle inspection field as a single art of detecting objects in a field of view by





electro-optical techniques, the system disclosed and claimed in the '640 patent constitutes an invention over the prior art relating to bottle inspection, and the patent is valid." (Conclusion No. 13, R. 1956).

##### 5. How the San Marino Machine was Developed

The San Marino machine was not the product of a development wholly unrelated to the development of the bottle inspector by the three joint inventors of the patent-in-suit (Tr. 624-630, 2352, \*169, \*181). After the three joint inventors (Calhoun, Wyman and Williams) had determined in the Spring of 1958 that they had attained a system which could be made to work successfully, they filed their original patent application (June 12, 1958) (Exh. 10; Tr. 266-271). About this time they were beginning to make and sell a few models in accordance with the disclosure of their first patent application. A further improvement on the machine was made by Calhoun and one Browning upon which a second patent application was filed on April 22, 1959. This further improvement was made so that the system could detect particles at the center of the bottle to eliminate a dead spot which the original system had and which the San Marino machine still has (Tr. 431-436, 472-477).

Because of a dispute which arose between Wyman and Calhoun concerning the method of marketing the Mark IV units and concerning the management of the Company, Wyman left Industrial Dynamics Corporation in the Summer of 1959 and thereafter formed his own company which he called "Industrial





Automation" (Tr. \*167-175). Through his new company, Wyman embarked upon the development of an empty bottle inspection machine designed to compete with the Mark IV (Tr. \*167-170). Wyman, of course, knew the principles of construction and operation of the system of the patent-in-suit, particularly since he used as his patent attorney the same one who prepared and filed the patent application which matured into the '640 patent (Tr. \*266, Wyman dep. 167-175). Wyman filed a patent application and obtained a patent on his machine (Exh. 4), which included a number of similarities between the machine of the patent-in-suit and the machine disclosed in the Wyman patent (Tr. 624-629).

While Wyman was thus developing his empty bottle inspector, he employed Robert Husome, who later designed the San Marino machine which defendant has charged infringes the patent-in-suit. Mr. Husome thereby not only became intimately familiar with the details of the construction and principles of operation of the Wyman empty bottle inspector (Hus. dep. 5-7), but Wyman discussed with Husome certain features of the Mark IV machine, which, by then, was being made and sold by defendant (Hus. dep. 14-16).

When the Wyman development was completed and sold to Barry-Wehmiller Co., about September 15, 1962, Husome left Industrial Automation and within weeks began to work on the development of the San Marino machine (Tr. \*112-114, Hus. dep. 7, 29, 34). The first San Marino machine was developed and manufactured for sale between October, 1962 and February, 1963, a period of only



a few months after Husome left the employ of Industrial Automation (Hus. dep. 29, 34).

6. The Construction and Operation of the San Marino Machine

(a) The San Marino Optical System

This system is revealed in two of plaintiff's drawings (Exhs. AC and AD), as supplemented by explanatory testimony. Exhibits AC and AD are included as Appendix B. Referring to Exhibit AC, light from a source is directed upwardly through an opal glass and the bottom of the bottle to a rotating disc having a single narrow light reflecting line (or mirror surface) extending from the center of the disc radially outwardly to the disc edge (Tr. 361-367). The disc (with its mirrored line) is centered with respect to the field of view (Tr. 361-367). The mirrored line is disposed so that the image of any particle at the bottom of the bottle is focused on the line at some position during the rotation of the disc. The light directed to the line is reflected by the mirror surface to a photocell disposed below and to one side of the mirror (Tr. 361-367). In other words, plaintiff has provided a centered optical system.

In this way, the photocell in plaintiff's machine produces a voltage output having a direct relationship to the intensity of the light reflected to it by the mirrored line (Tr. 369-391, 586-596). The intensity of the reflected light thus depends upon the opacity of the bottle or the occurrence of large particles in the bottle (Tr. 369-391, 586-596). Moreover,





the photocell output will have signal variations indicating the presence of small particles, bottle edges and other objects in or associated with the bottom of the bottle which pass through the reflected light path as the mirrored line is rotated (Tr. 369-391, 586-596).

The principal differences between the optical system of the San Marino machine and that disclosed in the patent-in-suit are:

- (i) San Marino "folds its optics", i.e. the mirrored line reflects light to the photocell rather than passing the light directly to the photocell (Tr. 369);
- (ii) Instead of alternate translucent and opaque sections in the circular reticle shown in the patent, San Marino has only a single reflective line in the otherwise non-reflective rotatable member;
- (iii) San Marino includes an added feature of "wobblulating" the mirror during rotation to detect particles in the neck of the bottle (Tr. 366-369).

The effective equivalence of the reflective and refractive optics and the equivalent production of pulses by the '640 system and the San Marino system were demonstrated to the District Court with a specially built machine (Exh. AA) described and demonstrated by Calhoun at pages 404-427 of the transcript. The photographs (Exh. DD) were made to show the resulting comparisons in signals of those produced by the system of the patent-in-suit and those produced by a system similar to that of the San Marino machine.





(b) The San Marino Signal Processing System

When the bottle is clean, the spinning of the disc with its mirrored line produced no change in the total amount of light which passes to the photocell through the bottle and the reticle (Tr. 369-391, 586-596). However, should a foreign particle appear in the bottle, the covering and uncovering of the particle by the non-reflective area of the disc segment of the reticle will result in the production of an alternating variation in the amount of light reaching the photocell (Tr. 369-391, 586-596). Such alternating variation causes the photocell to produce a signal pulse with alternating current characteristics corresponding to the characteristics of the light reaching the photocell (Tr. 369-391).

As in the '640 patent system, electronic circuitry is provided in the San Marino machine for separating the alternating current signals or pulses from the direct current signals and for individually processing the alternating current signals of pulses and individually processing the direct current signals (Tr. 369-391, 586-596, 1132-1133). For example, the alternating current signals and the direct current signals are amplified by the amplifier stage including the transistor Q17 in Exhibit AD (Tr. 369-391, 586-596, 1132-1133). The direct current signals are then directed to the direct current amplifier including the transistor Q1 (Tr. 390-391). The amplifier then directs the signal to a threshold detector which passes the signal when the signal has characteristics corresponding to a DC level less than



a particular value at the photocell (Tr. 389-392). This indicates that the bottle being inspected is undesirably opaque or that there is a large particle in the bottom of the bottle (Tr. 369-391).

The amplified alternating current is passed by the capacitor C-9 to a plurality of amplifier stages including the transistors Q16, Q15 and Q14 (Tr. 1133-1140). These amplifiers operate to pass the signal components substantially only at the frequencies representing the particles (Tr. 1133-1140). In other words, the amplifiers discriminate the signals representing undesirable effects, such as edge effects and lettering and stippling at the bottom of the bottle, which cloud the effects of the particles (Tr. 1133-1140). If the signals at the frequencies representing the particles have an amplitude greater than a particular value, the signals are detected so that an output signal is produced (Tr. 586-596). This output signal is directed to the threshold detector to provide for a rejection of the bottle (Tr. 586-596).

The threshold detector passes a reject signal when there is a small foreign particle in the bottom of the bottle or when the bottle is opaque or there is a large foreign particle in the bottom of the bottle (Tr. 586-596). The threshold detector is effective in passing this reject signal only in the period of time when the center of the bottle is being conveyed from a position slightly in front of the center line extending through the light source, the lens and the center of the mirror to a





position slightly in back of this center line (Tr. 1761-1777). The reject signal from the threshold detector is effective in causing a bottle to be rejected.

7.     The District Court's Conclusions of Law on the  
          Issues of Validity and Infringement of the  
          Patent-in-Suit

The District Court ruled in favor of defendant on the several technical grounds which plaintiff had asserted to invalidate the patent-in-suit or to prevent defendant from enforcing it, and also on the issue of patent misuse (see Conclusions Nos. 1, 14, 15, 16, 17; R. 1954-1957). But on the main issues of validity and infringement, the District Court concluded as set forth in Appendix C.

C.     QUESTIONS INVOLVED IN THE APPEAL OF DEFENDANT-  
          APPELLANT

The appeal of defendant-appellant presents four principal questions and a number of subsidiary questions, the determination of which subsidiary questions should enable the Court of Appeals to resolve the four principal questions. The principal questions are as follows:

1.     Whether the District Court erred in holding invalid Claims 7 to 15, inclusive, and 17 to 24, inclusive, of United States Letters Patent No. 3,133,640, and in the reasons which the District Court stated to support such holding.

2.     Whether the District Court erred in holding that plaintiff has not infringed any of the claims of said Letters





Patent, in making and selling its Models SME 303 and SLIMLIGHT machines, and in the reasons which the District Court stated to support such holding.

3. Whether the District Court erred in holding that defendant's counterclaim against plaintiff for infringement of said Letters Patent should be dismissed.

4. Whether the District Court erred in ordering that plaintiff should recover from defendant its costs incurred in connection with that portion of the trial relating to the issues of patent validity and infringement.

The subsidiary and specific questions which are raised by the present appeal are:

Whether the District Court erred in holding that:

(1) The circuitry disclosed in the said Letters Patent is the essence of the patent disclosure insofar as the use of AC is concerned, or whether such circuitry should have been held only to constitute an embodiment of the invention of said Letters Patent.

(2) The said Letters Patent does not cover a machine with a disc having a single reflective line with the remainder of the surface being non-reflective.

(3) Although producing an alternating current signal, plaintiff's machine is concerned only with the initial slope of the first pulse thereof and is not concerned with matters of frequency or repetitive pattern.



(4) All of the claims of the said patent in employing terms such as "reticle", "disc", "scanning means", "annular member", or the like mean a reticle including at least two radial opaque areas and two translucent areas.

(5) The prior art by which the obviousness or non-obviousness of the invention of the said patent is to be judged, is that relating broadly to the detection of foreign objects in a field of view by electro-optical techniques, rather than that art relating specifically to bottle inspection.

(6) Electro-optical systems for the detection of objects in the sky, the detection of material moving on a conveyor, the detection of the presence of objects moving on the ground, and detection of objects in a container are all systems which reside in an analogous art.

(7) The detection circuitry of plaintiff's machines is not concerned with rendering a repetitive alternating current signal at the output of the photocell, and further the fact that the photocell in plaintiff's machine does set up a repetitive alternating current is irrelevant to the operation of plaintiff's machines.

(8) The rejection of a bottle by plaintiff's machines is not dependent upon an alternating signal of a hoped-for particular frequency or a discriminated band of frequencies, as taught by the patent.

(9) Plaintiff's use of RC circuitry is substantially different from the use of LC circuitry taught by the patent.



(10) The progressive segments of the scan of the scanning member of the plaintiff's machines do not include the center and progressive portions of the periphery of the bottle during at least part of the inspecting period.

(11) The doctrine of equivalents does not apply to plaintiff's machines.

(12) Plaintiff's machines are not concerned with indicating the presence of foreign particles by means of alternating signals in a relevant sense as taught by the said patent.

(13) The scanning area in plaintiff's machines is not "substantially greater" than the size of the particle sought to be detected, in the sense that the quoted words are used in the said patent.

(14) Plaintiff's machines do not use an amplifier means tuned to a specific frequency range or an equivalent amplifier.

(15) Plaintiff's scanning member does not have alternate radial opaque and translucent areas.

D. THE DISTRICT COURT ERRONEOUSLY PREDICATED ITS SECTION 103 HOLDING OF INVALIDITY ON THE ASSUMPTION THAT MISSILE AND STAR-TRACKING PATENTS WERE RELEVANT PRIOR ART TO A PATENT IN THE BOTTLE INSPECTION FIELD

As its only ground, the District Court held the claims in the patent invalid "as being obvious under 35 U.S.C. § 103" (Conclusion No. 12, R. 1956). In order to arrive at this conclusion, however, his Honor was forced to rely heavily upon the missile and star tracking patent to Biberman (see Finding No. 11(a), (c) and (e)). Recognizing this reliance upon such





missile and star tracking patent, the Court stated:

"\*\*\*The Biberman '405 patent is the only reference specified in paragraphs 11(c), 11(b) and 11(c) of the Findings of Fact that discloses a centered optical system with a radial scan for providing spatial filtering." (Finding No. 11(e), R. 1943).

And in Conclusion No. 13 (R. 1956), the Court stated:

"If the missile and star tracking field cannot be properly considered with the bottle inspection field as a single art of detecting objects in a field of view by electro-optical techniques, the system disclosed and claimed in the '640 patent constitutes an invention over the prior art relating to bottle inspection, and the patent is valid."

By including Conclusion No. 13 and by other statements in the record (Tr. 2605), the District Court, thus, candidly expressed its own doubts as to the propriety of invalidating the '640 patent on the basis of a patent in the missile or star tracking field. Defendant-appellant submits that such doubts were well conceived.

1. Under Controlling Authorities, the Prior Art to Determine the Validity of a Patent on an Invention is that Group of Prior Patents and Publications and Devices which would normally be known to, or consulted by, a man of ordinary skill in the particular business to which the Invention pertains

Section 103 reads as follows:



"§ 103. Conditions for patentability; non-obvious subject matter"

A patent may not be obtained though the invention is not identically disclosed or described as set forth in section 102 of this title, if the differences between the subject matter sought to be patented and the prior art are such that the subject matter as a whole would have been obvious at the time the invention was made to a person having ordinary skill in the art to which said subject matter pertains. Patentability shall not be negatived by the manner in which the invention was made."

The term "prior art" is undefined in the patent statutes. However, the "obviousness" rendering a patent invalid (or not obtainable) under § 103 must be predicated upon a finding of such insufficient "differences between the subject matter sought to be patented" and the thus-undefined "prior art" that "the subject matter as a whole would have been obvious at the time the invention was made to a person having ordinary skill in the art to which said subject matter pertains".

But in the case at Bar, what is the scope of the art to which the subject matter - namely, a bottle inspection system - pertains? Is this scope limited to the bottle inspection field; or may it be properly viewed as a broader art, i.e. the detection of objects in a field of view by electro-optical means, as the District Court concluded (Conclusion No. 5, R. 1955). The



latter categorization is strictly academic in character. It is not one based upon the realities of the business in which the invention was made and the problems which the three joint inventors sought to solve. Under the most recent pronouncement of the Supreme Court of the United States, as well as under many other authorities, the knowledge of the person having ordinary skill in such business - here bottle handling, including bottle inspection - should determine the scope of the relevant art. The scope of the relevant art is not determined by some artificial category in which all items having some similar physical or mechanical similarities may be thrown.

Thus, in Graham v. John Deere, 383 U.S. 1, 86 Sup. Ct. 684 (1966), in his opinion for the Supreme Court where he explained the decisional law which § 103 was attempting to codify, Mr. Justice Clark, referring to Hotchkiss v. Greenwood, 11 How. 248, 13 L.Ed. 653, stated:

"Hotchkiss, by positing the condition that a patentable invention evidence more ingenuity and skill than possessed by an ordinary mechanic acquainted with the business, merely distinguished between new and useful innovations that were capable of sustaining a patent and those that were not. \* \* \* In practice, Hotchkiss has required a comparison between the subject matter of the patent, or patent application, and the background skill of the calling. It has been from this comparison





that patentability was in each case determined."

(383 U.S. 11-12, 86 S.Ct. 692-693)(emphasis supplied).

After analyzing the legislative history of § 103,

Mr. Justice Clark continued:

"\* \* \* We conclude that the section was intended merely as a codification of judicial precedents embracing the Hotchkiss condition, with congressional directions that inquiries into the obviousness of the subject matter sought to be patented are a prerequisite to patentability." (383 U.S. 17, 86 S.Ct. 693).

Although the Supreme Court held invalid both the plow patent and the sprayer patent there before the Court, it did so on the basis of prior plow and sprayer patents respectively, and not by reference to patents found in some other field to which a man of ordinary skill in either the plow or sprayer business would never think to turn to solve problems in his particular business.

From the above discussion, it will be seen that the missile and star tracking field should not be considered with the bottle inspection field as a single art of detecting objects in a field of view. However, the question still remains as to whether the missile tracking field is analogous to the bottle inspection field since the District Court held to this effect in Finding No. 10.

In the case at Bar, the District Judge, in his conclusions of law, properly stated the test of whether one art is



to be considered analogous to another. Thus, in Conclusion No. 5 (R. 1954), it is stated:

"5. Whether arts are analogous depends upon the similarity of their elements and purpose. If elements and purpose in one art are so related and similar to those in another art that the relationship would appeal to the mind of a person having mechanical skill and knowledge of the purposes of the other, then the arts may be said to be analogous\*\*\*\*\*."

This statement of the law by the District Court is amply supported by the authorities: See for example:

Stearns v. Tinker & Razor, 220 F.2d 49, 56, 57

(CA9, 1955) cert. denied 350 U.S. 830

76 S.Ct. 62

Alcoa v. Sperry Products, Inc. 285 F.2d 911, 917

(CA6, 1960) cert. denied 368 U.S. 890

82 S.Ct. 142

The complaint of defendant-appellant, however, is that the District Court improperly applied the thus-stated principle of law to the facts in the case at bar.



2. Missile and Star Tracking Patents would not ordinarily be looked to by a man of ordinary skill in the Bottle Inspection Field to solve problems encountered by him in such field

The District Court found in Finding No. 10 (R. 1941) that the missile tracking and bottle inspection fields are analogous. However, the District Court did not find that the patents relating to missile or star tracking would appeal to the mind of a person having ordinary mechanical skill and knowledge in the field or business in which the invention in question was made -- namely, the field of bottle inspection-in solving problems encountered in the latter field. Indeed, such a finding could not have been made on the evidence adduced at the trial. Yet, without such a finding, the Court could not properly have concluded that the missile or star tracking field and the bottle inspection field are analogous.

Actually, it would not have been natural for a person having ordinary skill in the field of bottle inspection to have looked to the field of missile and star tracking for help, when faced with the problem of detecting foreign particles in the bottoms of the bottles moving down conveyor lines at a rate as high as 600 per minute. Plaintiff did not introduce any evidence, through plaintiff's experts Husome, Ryde and Greist or through plaintiff's cross-examination of Calhoun, to show that the two fields are analogous. In the complete absence of any such evidence and their obvious remoteness from the business standpoint, appellant submits that the District Court





erred in considering the missile and star-tracking technology as relevant prior art to a bottle inspection patent.

There are, actually, considerable differences between the fields of bottle inspection and missile and star tracking. The detection of a missile or star tracking occurs against a substantially homogeneous background, that is, against a clear sky. Admittedly, clouds or other stars may be present in the sky background (Biberman patent Col. 1, lines 21-36, Col. 2, lines 29-49) but these clouds or stars cause signal components to be produced which are relatively small in intensity and are easy to distinguish from the primary signal produced by the missile or star that the apparatus is directed to follow. It is thus relatively easy to detect and isolate the signal components representing the missile or the star. The detection of a missile or star tracking against a substantially homogeneous background is consistent with the definition of spatial filtering by Dr. Greist (Tr. 2287).

In contrast, detection of a particle at the bottom of a bottle occurs in a non-homogeneous field in the bottle-inspecting systems. In other words, the particle has to be detected against a background which includes shadows produced by the edge of the bottle and by lettering and stippling at the bottom of the bottle (Tr. 2365-2366). The shadows resulting from the edge of the bottle cause signal components to be produced which are much greater in amplitude (or intensity) than the signals produced by the small particle at the bottom of the bottle



(Tr. 199-207, 498-499, 2375-2379. See also Exhibits CY and CZ where the signals produced by the edge of the bottle have low frequencies and high amplitudes in comparison to the signals representing the particles in the bottle). Furthermore, the particles have to be detected in the closely confined space defined by the perimeter of the bottle and further have to be detected as the bottles are moved at a relatively rapid rate such as 600 bottles per minute (or 10 bottles per second) along a conveyor line (Tr. 127). Thus, the problems to be solved in detecting a particle in a bottle are quite different from those involved in tracking a star or a missile.

If anything, the evidence adduced at the trial strongly supports a finding that a person of average skill in the bottle inspection field would never have thought to look to missile and star tracking technology. Thus, plaintiff produced as a witness, a Mr. Stoate, who was not merely a person of ordinary skill in the bottle inspection field, but one who had spent some thirty years therein and had obtained some seven patents on different inventions both in Great Britain and the United States. Although Stoate patent 517,229 applied for in 1938 may be considered to disclose a centered optical system in the bottle inspection field, the later Stoate patents reveal that he looked to other fields such as television (Tr. 1934) in his unsuccessful efforts to devise a bottle inspector, and he never ever considered missile and star tracking technology. Stoate further admitted that his centered reticle system was for use with a DC system and produced no spatial filtering (Tr. 2030).





The inability of a person of ordinary skill in the field of bottle inspection to comprehend the possible applicability of technology in the missile and star tracking field may also be seen from the extreme attempts made in the bottle inspection field, prior to the '640 patent, to avoid the effects of the edge of the bottles. In the prior art, attempts were made to mask the edge of the bottles so that the edge effects were eliminated (Tr. 2045-2047). As an alternative, the scan of the bottles never reached the edge in the systems of the prior art (Calhoun Tr. 232-247). In both alternatives, signals were never generated at the edge of the bottles since it was impossible to deal with such signals.

Further, had a person of ordinary skill in the bottle inspection field consulted an expert in the missile field as to the significance of the composite signals produced by scanning the bottom of the bottle, he would have received no solace. Even an expert like Dr. Greist, with a doctorate in physics and many years of distinguished experience in the missile tracking field, did not appreciate the significance and effect of the signal components produced by defendant's centered reticle system for bottle inspection (Tr. 2249-2260). In effect, Dr. Greist did not appreciate that the edge effects in the bottle were causing signal components to be produced at the low frequencies and that these signal components were concealing the signal components representing the particles in the bottle. As Dr. Greist further testified on page 2259 of the transcript, he would be happy to be





informed as to why the low frequency components existed. It was thus not obvious to Greist, and he had no opinion on this matter, even after he had the opportunity of discussing the case with counsel for plaintiff to prepare for his testimony in this trial.

Since neither Greist nor Stoate appreciated the combination of spatial filtering and electronic frequency selection to detect particles at the bottom of empty bottles, how could a person of ordinary skill in the field of bottle inspection be expected to appreciate the significance of adapting any teachings in prior patents in the field of missile and star tracking to produce a bottle inspecting system which would be able to scan a bottle to produce a utilizeable signal representing a particle in the bottom of the bottle?

Actually, plaintiff had the burden of establishing that missile or star tracking and bottle inspection constituted analogous arts. No testimony on this was offered by plaintiff's president, Husome, or by plaintiff's experts, Ryde and Greist. Since plaintiff offered no evidence on this during the trial, plaintiff did not assume the burden.

The non-analogous relationship between the missile and star tracking field and the bottle inspection field may be seen from the patents in these fields. None of the missile patents had any patents relating to bottle inspection systems cited as prior art (Exh. DA); nor, prior to the '640 patent-in-suit, did



any of the patents in the bottle inspection field (Exh. CS) have any patents relating to missile or star tracking cited as prior art. It was only when the disclosure of the application for the patent-in-suit showed the use of a centered reticle system, that the patent examiner recognized it as having an ancestor in the missile and star tracking field and cited patents from the latter field against the application.

Although patents relating to missile tracking were cited against the '640 patent during the prosecution of the '640 patent in the United States Patent Office, defendant constantly contended in the Patent Office (Exh. 40) that the missile tracking field was not analogous to the bottle inspection field. While the Examiner in the Patent Office never formally agreed with defendant in defendant's contention, since the '640 patent eventually issued, there is at least a strong inference that the Examiner eventually accepted defendant's position.

That the invention of the patent-in-suit was a very substantial contribution to the art is attested by its widespread commercial success (Finding No. 12(b); R. 1943) and the fact that all prior empty bottle inspectors in this country practically disappeared from the market in favor of defendant's machines and by the two other machines which were later devised by Wyman and his assistant Husome (Tr. \*118, 903-910), both with knowledge of machines built on the teachings of the patent-in-suit.

In these circumstances for the District Court to hold the patent invalid on an asserted obviousness by combining --





through hindsight -- the teachings of both bottle inspection and missile and star tracking arts, represents a complete disregard of the situation from the eyes of persons of ordinary skill in the bottle inspection field. It further represents an erroneous destruction of a very valuable patent under the tests even recently reiterated by the Supreme Court of the United States in the Graham v. John Deere case, discussed supra, and many other authorities.

E. THE DISTRICT COURT ERRED IN FAILING TO FIND THAT PLAINTIFF'S MACHINE INFRINGED THE PATENT-IN-SUIT

1. Having Decided that the Patent was Invalid under an Erroneous View of what constituted Pertinent Prior Art, the District Court Compounded its Error by Adopting a Narrow View of the Scope of the Invention

Once the District Court was persuaded that the prior art should be defined broadly as the detection of objects by electro-optical means (which definition would comprehend missile and star tracking patents as prior art pertinent to the invention of the patent-in-suit), his Honor could not find that said invention represented a substantial advance over the prior art as thus broadly defined. The Court could, and did, find that each element of the particular embodiment disclosed in the patent could be found to have some counterpart in such broadly defined prior art (See Finding No. 11, R. 1942-1943).

2. When the Prior Art is Limited to Patents in the Field of Bottle Inspection, the Invention of the Patent-in-Suit will be Found to Represent a Great Advance in such Field





As appellant has hereinabove urged, the pertinent prior art relates to the business of bottle inspection, as the opinion in the John Deere case, decided by the Supreme Court, indicates (see quotations, *supra*, pages 37 and 38) and does not properly include missile and star tracking patents. Because of this, the invention of the patent-in-suit will be found to represent a most substantial advance over the bottle inspection prior art. This was the first time that anyone had provided a system for detecting particles in bottles while scanning the edges of the bottles. It was also the first time that anyone had provided for inspecting bottles or other articles by means of a centered optical system, to provide spatial filtering, in combination with electronic processing of the signals generated through such spatial filtering, to discriminate between signals representative of a particle and signals caused by other discontinuities in the bottom of the bottle, particularly the signals generated by the edge of the bottle. This bottle inspection system of the patent-in-suit was, thus, a completely new approach to the problems theretofore encountered by persons in this field, including such industrial giants as RCA, Coca-Cola, Westinghouse and others whose names appear as assignees of prior bottle inspection patents (See the collection of patents constituting Exhibit CS). The considerable advance provided by the system of the patent-in-suit is attested by the fact that the only three machines on the market today all have some demonstrable connection with the work of the three inventors of the patent-in-suit.



3. In Construing a Patent for the purpose of determining whether it is Infringed, a Court should make every effort to accord it such Scope as is commensurate with the Advance its Invention had made over the Prior Art

The entire doctrine of equivalents, so ably explained by the Supreme Court of the United States in Graver Tank & Mfg. Co. Inc. v. Linde Air Prods. Co., 339 U.S. 605, 70 S.Ct. 854, represents a specific effort on the part of the courts toward carrying out the policy of construing a patent to render its scope coincident with its contribution to the art.

It is thus essential that a Court, faced with the question of infringement of a patent, first determine the extent of the contribution of the inventors of the patent to the art. In so doing, the Court is simultaneously undertaking the factual inquiry upon the results of which it may or may not conclude, as a matter of law, that the subject matter patented meets the requirements of § 103 of Title 35, U.S.C., discussed supra, pp. 34-35. To this extent, then, the Court must approach the issue of infringement simultaneously with the issue of patentability from the standpoint of § 103.

4. The District Court Erroneously First Determined the Issue of Infringement Apart from that of Validity under § 103

As appears from the District Court's colloquy with counsel during oral argument (Tr. 2545-2548 on April 17, 1967), the District Court apparently had first determined the issue of infringement adverse to appellant wholly apart from determining





the contribution of the system of the patent over the prior art. Indeed, his Honor questioned whether, if he found non-infringement, it would be necessary for him to rule on the question of the validity of the patent (Tr. 2545-2548). It was only after receiving an affirmative answer to this inquiry and having indicated why he had tentatively found no infringement, that the Court then proceeded to take up the issue of the validity of the patent (Tr. 2545-2548). In other words, the Court actually had arrived at a conclusion respecting infringement without first determining the advance which the patent system represented over the prior art -- a determination which he later proceeded to make under § 103, when dealing with the validity of the patent.

5. The District Court did not Understand the Difference between the "Invention" of the Patent and the "Embodiment" of the Invention therein Disclosed

In thus reaching the conclusion that the patent-in-suit was not infringed without first ascertaining the advance made by the patent system over the bottle inspection systems disclosed in prior patents, the District Court had only attempted to understand the particular embodiment of the invention disclosed in the patent and had assumed that the scope to be accorded the patent was limited essentially to such patent embodiment (Tr. 2587-2607 and 2644-2650). Therein, appellant submits, the District Court committed a most serious error.

The distinction between the "invention" of a patent and the preferred embodiment (or in the 1952 Act "the best mode





contemplated by the invention of carrying out the invention" [35 U.S.C. §112]), has long been recognized by the Courts.

See: King-Seeley Thermos Co. v. Tastee Freez Industries, Inc., 357 F.2d 875 (CA7, 1966)

American Technical Machine Corp. v. Caparotta, 339 F.2d 557 (CA2, 1964)

American Photocopy Equipment Co. v. Ampto Inc., 82 N.J.S. 531 (1964), 198 A.2d 469

Under §112, it is required only that the patent specification contain a description of the "invention", and of the manner of making and using it, in such full, clear, concise and exact terms as to enable any person skilled in the art to which it pertains, or with which it is most nearly connected, to make and use the same, and that the patent specification set forth "the best mode" contemplated by the inventor of carrying out his invention. Thus, inherent in this statutory section is a recognition of the difference between "the invention" patented and the "best mode" contemplated by the inventor of carrying out his "invention".

In their effort to comply with §112, the three joint inventors went to great length in the specification of the patent-in-suit to disclose the particular embodiment of the invention which they had built and sold -- the best mode contemplated by the three joint inventors of carrying out their invention. The District Court concluded:

"\*\*\*Further, the Court concludes that the description contained in the patent in suit is sufficiently clear and



concise to enable one skilled in the art to construct the disclosure thereof." (Conclusion No. 15, R. 1957).

But the full extent of "the invention" can only be appreciated by comparing that particular embodiment with the devices disclosed in the prior patents and publications relating to bottle inspection. This the District Court did not do. Instead, his Honor regarded the particular machine embodiment disclosed in the patent as "the invention" and determined the issue of equivalence with respect to such embodiment. Thus, in Finding No. 22 (R. 1947), the Court stated:

"22. Plaintiff's machines (the allegedly infringing 303 and Slimlight) seek the same end result of detecting foreign particles in a container as does the machine described in defendant's patent. However, the means employed by the SME devices to reach this end result are dissimilar from those taught by the patent-in-suit. The enumerated respects in which the Court finds them dissimilar are set forth in rather telegraphic reference to the wording of the following claims:" (emphasis added)

The District Court then proceeded to enumerate certain respects in which it found that plaintiff's machines did not meet the language of the claims relied upon by defendant. Defendant deals below with the principal distinctions thus enumerated by the District Court. But it should be pointed out that the District Court's approach to the issue of equivalency was at the level of the specific mechanical and electronic





means of the "best mode" embodiment disclosed in the patent, instead of to the basic and novel concept of "the invention" of the patent-in-suit for detecting particles in empty bottles. Had the District Court understood "the invention", as distinguished from "the best mode" specifically disclosed, his Honor should have seen that plaintiff's machine employs such basic system and that the particular mechanical and electronic means employed in each instance were selected by plaintiff to enable its machine to operate in such system. Thus:

(a) Plaintiff's machine admittedly accomplishes spatial filtering by a centered optical system by which light is passed through the bottle being inspected and reaches the photocell under the control of a rotating member having at least one light segment and at least one dark segment (Tr. 525-535; 567- 570).

(b) Plaintiff's machine admittedly separates the DC signal component from the AC signal component of the signal developed at the output of the photocell and uses a predetermined decrease in the DC voltage to indicate a dark colored bottle or the presence of a large particle in the bottle (Tr. 585-596).

(c) The AC or pulse component is then electronically processed to differentiate between a signal component indicating the presence of a particle and signal components caused by other discontinuities in the bottle being inspected (Tr. 546-559, 585-597).

These are the same basic system steps which are accomplished by the machine disclosed in the patent-in-suit, and





which were never conjointly accomplished by any prior bottle inspection system patents. When this fact is fully appreciated, it may readily be seen that plaintiff's machine does perform "substantially the same function in substantially the same way to obtain the same result" under the tests laid down by Sanitary Refrigerator Co. v. Winters, 280 U.S. 30, 42 and Graver Tank & Mfg. Co., Inc. v. Linde Air Products Co., 339 U.S. 605. Whether the details by which (a) is accomplished, e.g. by reflective or refractive optics or by a single spoke or multiple spoke reticle; and by which (c) is accomplished, e.g. by RC or LC circuits or by a pulse or alternating current signals or by a wide band or a narrow band attenuation, should not be regarded as negating the equivalence of plaintiff's machine system to that basic system taught by the patent-in-suit, and thereby avoid infringement. To do so, as the District Court did here, is to disregard the following language of the Supreme Court of the United States:

" \* \* \* But courts have also recognized that to permit imitation of a patented invention which does not copy every literal detail would be to convert the protection of the patent grant into a hollow and useless thing. \* \* \* Outright and forthright duplication is a dull and very rare type of infringement. To prohibit no other would place the inventor at the mercy of verbalism and would be subordinating substance to form. It would deprive him of the benefit of his invention and would foster concealment rather than



disclosure of inventions, which is one of the primary purposes of the patent system."

Graver Tank & Mfg. Co., Inc. v. Linde Air

Products Co., 339 U.S. 605, 70 S.Ct. 854, at p. 856

Furthermore, the inventors actually reduced to practice embodiments incorporating the essential differences between plaintiff's machine and defendant's machine prior to the time that the '640 patent was filed. After reducing to practice embodiments incorporating the features of plaintiff's machine, the inventors reduced to practice the embodiment disclosed in the '640 patent and disclosed this embodiment because of the belief that it had certain advantages over the prior embodiments. The inventors certainly could not have intended to limit the disclosure to the particular embodiment in the '640 patent in view of the fact that they had previously reduced to practice other embodiments.

Bearing in mind the District Court's errors in its approach to the issue of infringement, i.e., its failure to appreciate that the particular machine disclosed is only "the best mode" of practicing the inventions and not the invention itself, and its failure to determine equivalence with reference to the basic inventive system and not with respect to mechanical and electronic details, we deal below with the Court's errors in reference to such details.

The discussion below relates to the narrow interpretation of the language of the claims by the District Court. In





Appendix D, defendant has provided an analysis of the different references used by the District Court and an analysis of the differences between the system of the patent-in-suit and such references.

6. The District Court Erroneously found that Plaintiff's Machines did not Infringe the Intent or the Language Expressed in the Claims

(a) The District Court Erroneously found that the '640 patent did not Disclose a Reticle with a Single Spoke

It is difficult to conceive that the '640 patent should be limited to a multi-spoke reticle. This is especially true since the same principles apply to a single-spoke reticle as to a multi-spoke reticle. Furthermore, the patentees successfully operated their bottle inspector with single-spoke reticles prior to filing the '640 patent in the Patent Office (Tr. 481-486). Because of this, it would have made no sense for the patentees to limit the '640 patent to a multi-spoke reticle.

Actually, the '640 patent infers in the specification that a single-spoke reticle may be used. This may be seen from Column 5, lines 39 to 45, inclusive, which is quoted as follows:

"The essence of these various reticle patterns is that a reticle be positioned and rotated in front of a photocell so that all of the information bearing light or light from the area being inspected passes through the reticle to the photocell and the reticle pattern is such that in the area being inspected any point is scanned by an alternate opaque and translucent area of the reticle."





Even a reticle with a single spoke falls within this definition since this reticle scans any point in the field of view alternately with an opaque area and a translucent area in each revolution of the reticle.

The obvious inclusion of a single-spoke reticle within the concept of the invention may also be seen from the testimony of plaintiff's experts, Ryde and Greist. As both Ryde and Greist testified, Exhibit CL is the same as the San Marino reticle except that the light-passing line extends diametrically across the reticle instead of terminating at the center of the reticle (Tr. 1760, 1842-1845, 2221-2222). Because of this, Exhibit CL produces pulses of the same wave shape as the San Marino reticle but produces these pulses at twice the frequency of the San Marino reticle (Tr. 1842-1845, 2221-2222).

In effect, Exhibit CL is the same as the San Marino reticle except that it has two diametrically disposed reflecting lines instead of one radially disposed reflecting line as in the San Marino machine. Furthermore, both Ryde and Greist testified that Exhibit CL is within the concept of the '640 patent (Tr. 1760, 1842-1845, 2221-2222). Since Exhibit CL is within the concept of the '640 patent, it follows that plaintiff's single-spoke reticle also falls within that concept.

- (b) The District Court Erroneously found  
that San Marino does not produce  
Alternating Current within the  
Relevant Sense of the '640 patent

The District Court found that "plaintiff's machines are not concerned about rendering an alternating current signal



output, nor is the rejection of a bottle based upon an alternating current in a relevant sense as taught by the patent-in-suit" (R. 1952). This finding by the District Court appears to be the primary basis for the ruling that the San Marino machine does not infringe the '640 patent. It is the only basis for the finding by the District Court that Claim 22 in the '640 patent is not infringed.

This finding by the District Court with respect to non-infringement is based upon a change of a single electrical element in a complex piece of equipment which probably has more than one hundred electrical elements. The change in the single electrical element does not cause any change in the operation of the system of the patent-in-suit relative to the system of plaintiff's machine since both machines provide frequency selection or discrimination (Tr. 1289-1293).

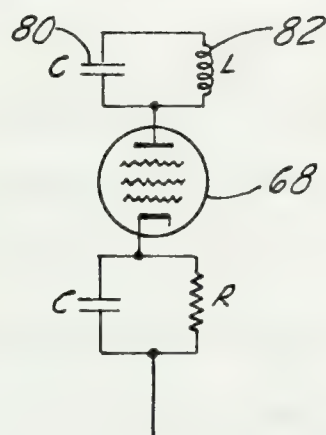
Frequency selection or discrimination may be accomplished by several well-known means. One of such well-known means constitutes a combination of a coil (also called an "inductor") and a capacitor (Tr. 319-323, 333-334). The coil is designated symbolically as "L" and the capacitor is designated symbolically as "C" so that the circuit is often designated as an "LC" circuit (Tr. 333-347). In Figure 4 of the patent, the coil 82 and the capacitor 80 constitute an "LC" circuit for tuning the amplifier 50 to pass signals at the frequencies representing the particles in the bottom of the bottle and to reject the signals at the





frequencies representing edge effects and other undesirable effects in the bottom of the bottle (Col. 4, lines 54-65 of patent 3,133,640).

Another of such well-known means for accomplishing frequency discrimination constitutes a combination of a capacitor and a resistor (Tr. 337-348, 385). Since the resistor is designated symbolically as "R", the combination of the capacitor and the resistor is represented as an "RC" circuit (Tr. 348). Just as the LC circuit formed by the coil 82 and the capacitor 80 in the patent-in-suit are connected to the top electrode of the tube 68 in Figure 4, an RC circuit is connected to the bottom electrode of the tube in Figure 4 (Tr. 340-351). This may be seen from the following illustration of a portion of the circuit in Figure 4 of the drawings in the patent-in-suit:



In the amplifier shown in Figure 4 of the drawings in the patent-in-suit, frequency selection is accomplished primarily by the LC circuit since the LC circuit passes the signals at the frequencies representing the particles in the bottom of the bottle and attenuates the signals at the other frequencies (Tr. 333-351). However, since the signals produced at the low





frequencies by the edge and other effects in the bottom of the bottle have a relatively great amplitude, further attenuation at these frequencies is desirable (Tr. 340-351, 856,860). This is accomplished by including the RC circuit to further attenuate the signals at the relatively low frequencies (Tr. 340-351).

Furthermore, in developing their bottle inspection system to the form disclosed in the '640 patent, the inventors at times used RC circuits to select the frequencies representing particles in the bottom of the bottle from undesirable effects which produced signal components at other frequencies (Tr. 267, 2371-2374). The system operated satisfactorily when the RC circuits were used (Tr. 267, 2371-2374). The inventors used the RC circuits in the '640 system before the filing of the patent application which matured into the '640 patent (Tr. 267, 2371-2374).

Plaintiff uses an "RC" circuit in its machine for frequency selection instead of an "LC" circuit. In other words, an inductance "L" in the amplifier of the '640 patent is changed to a resistance "R" in the amplifier of the San Marino machine. It is difficult to conceive that one would avoid a patent as basic as the '640 patent by changing a single electrical element in a complex structure. (See Neff Instrument Corporation v. Cohu Electronics, Inc., 298 F.2d 82, 89 (CA9, 1961), where the equivalence of "LC" and "RC" circuits was recognized by this Court)



The use by San Marino of an "RC" circuit and the use in the embodiment of the '640 invention of an "LC" circuit are dictated in large part from an electronic standpoint by the number of spokes on the reticle. In the embodiment of the '640 patent, a multi-spoke reticle is used, preferably with seven spokes. When the seven-spoke reticle is rotated at a frequency of 157 cycles per second, the signal components representing the particle in the bottom of the bottle have a basic frequency of  $7 \times 157 = 1199$  cycles per second and also have frequencies which are multiples of 1199 cycles per second (Tr. 190-201, 1707, 1710, 2228). The basic frequency of 1199 cycles per second is considerably removed from the signal components at frequencies of 200 cycles per second and less, representing undesirable effects such as the shadows caused by edge effects in the bottom of the bottle (Tr. 2228-2234). The frequency of 1199 cycles per second is also considerably removed from the signal components at frequencies of approximately 5000 to 15000 cycles per second, representing lettering and stippling at the bottom of the bottle.

For the reasons enumerated in the previous paragraph, in the particular embodiment of the invention disclosed in the patent-in-suit, only the signal components at approximately 1199 cycles per second have to be selected to determine the occurrence of a particle at the bottom of a bottle (Tr. 2364-2376). Actually, the embodiment of the '640 patent is advantageous because the spatial filtering provides the major action in producing the signal components representing a particle





in the bottom of a bottle, so that the burden on the electronics in selecting such signal components is minimized (Tr. 2364-2376).

By way of comparison, the San Marino reticle rotates at a speed of 200 cycles per second and has a single mirrored line (Tr. 532-538). This causes the San Marino machine to produce signal components at a basic frequency of 200 cycles per second and at harmonics of 400, 600, 800, etc. in representation of a particle at the bottom of a bottle (Tr. 546-551). Furthermore, the amplitude (or intensity) of the signal components at 200 cycles per second is slightly greater than the amplitude of the harmonic at 400 cycles per second; and the amplitude of the harmonic signal components at 400 cycles per second is slightly greater than the amplitude of the harmonic at 600 cycles per second, etc. (Tr. 2241-2256). Accordingly, it is desirable to pick up the signal components at 200, 400, 600, etc. cycles per second in order to obtain a signal of optimum strength (Tr. 2241-2256). An "RC" circuit is effective in picking up the signal components of the basic and the several utilizable harmonic frequencies although an "LC" circuit, broadly tuned over the desired frequency range, might also be used (Tr. 2232-2234). Thus, San Marino used an "RC" circuit to provide frequency selection because San Marino employed a scanning reticle with a single mirrored line.

"RC" circuits were commonly known prior to 1958 to provide frequency selection in the manner obtained by San Marino in its machine (Tr. 2271-2272). Furthermore, men skilled in





the electronics art generally appreciate that "LC" circuits and "RC" circuits may be used interchangeably to select particular frequencies although one may provide a different degree or characteristic of frequency discrimination over that obtainable by the other (Tr. 344-345, 2232-2234). Since the single-spoke reticle of San Marino is within the scope of the '640 patent and since "RC" circuits were commonly known prior to 1958, the '640 patent would embrace the combination of a single-spoke reticle and the use of "RC" circuits to replace "LC" circuits. This is particularly true since the embodiment of the '640 patent included "RC" circuits to provide frequency selection for attenuating the signal components at the frequencies representing undesirable effects such as the shadows produced by edge effects at the bottom of the bottle (Tr. 340-351, 2230-2232).

The District Court considered that the San Marino machine responded to "pulses" rather than to "alternating current in a relevant sense as taught by the patent-in-suit". The term "alternating current" has a number of different meanings dependent upon the situation in which it is used. For example, the term "alternating current" in one interpretation means a sinusoidal signal at a particular frequency (Tr. 132-138, 2223). The term in the broad sense means any type of variable signal to distinguish it from a steady state (or dc) signal (Tr. 138-154, 1738-1746, 2223). In this interpretation, a "pulse" would be included within the definition of "alternating current" as constituting a form of "alternating current", as both Ryde and Greist admitted (Tr. 1745, 2223). In any event, even plaintiff's



witnesses admitted that a pulse at least had alternating components (Tr. 1295-1305, 1323-1347, 1738-1746, 2223-2224).

As used in the '640 patent in Column 2, lines 61 to 54, inclusive, the output from the photocell 24 is described as being "alternating current". However, one skilled in the electronics art would appreciate that the output from the photocell not only includes signal components at the basic frequency of 1199 cycles per second, but also at harmonics such as 3597, 5995, etc. cycles per second (Tr. 2228 ). Consequently, when the term "alternating current" is used in the patent, it would be understood by any electronics man to mean a signal with alternating components, like a pulse, rather than a sinusoidal signal at a single frequency. This interpretation is supported by the waveforms shown in Figure 3 of the '640 patent since these waveforms represent a "pulse" at the output of the photocell rather than a sinusoidal signal. This interpretation is further corroborated by the testimony of Dr. Greist who stated that the term "alternating current" is generally used by the patent literature to include "pulses" (Tr. 2223).

San Marino successfully urged upon the District Court the interpretation of the sentence in Column 2, lines 51 to 54, inclusive, and the sentence in Column 4, lines 55 to 59, inclusive, to mean that the '640 system is restricted to the production of a single frequency. Because of the fact that harmonics are inherently generated, the interpretation of these sentences should be that the system responds to signal components each having a frequency which is an integral multiple (such as 1, 3, 5, 7, etc.)





of the speed of rotation of the system (157 cycles per second) times the number (7) of alternate light and dark segments, and that the system responds primarily to the signal components at the fundamental frequency of 1199 cycles per second because these signal components have a greater amplitude (or intensity) than the signal components at the harmonic frequencies.

As previously indicated, plaintiff's experts Ryde and Greist testified that Exhibit CL is within the concept of the '640 patent (Tr. 1760, 1842-1845, 2221-2222). As further admitted by Ryde and Greist, Exhibit CL produces pulses of the same shape, but twice as often, as the reticle in the San Marino machine in representation of a particle in a bottle (Tr. 1882, 2256-2261). On this basis, if defendant produces an "alternating current" in its machine, plaintiff obviously produces the same type of "alternating current".

As Ryde testified, both the '640 patent and the San Marino machine produce a train of pulses (Tr. 1742). Ryde further testified that the production of a train of pulses is within the teachings of the '640 system (Tr. 1743). The train of pulses produced by the San Marino machine would be similar to that produced by the '640 system so that, if we want to call such pulses "alternating current", it is a matter of terminology (Tr. 1744). Ryde further testified, it would be reasonable to call the pulses "alternating current" in the San Marino machine if we call the pulses "alternating current" in the '640 system (Tr. 1744).





Therefore, contrary to the finding of the District Court, the testimony of plaintiff's own experts discloses that plaintiff's machines are "concerned about rendering an alternating current signal output", and are also concerned about rejecting a bottle "based upon an alternating current in a relevant sense as taught by the patent-in-suit".

- (c) The District Court Erroneously found that the Rejection of a Bottle by Plaintiff's Machines is not Dependent upon an Alternating Signal of a hoped-for Particular Frequency or a Discriminated Band of Frequencies
- 

The District Court erroneously found, with respect to Claim 7, that the rejection of a bottle by plaintiff's machines is not dependent upon an alternating signal of a hoped-for particular frequency or a discriminated band of frequencies (R. 1948 ). However, plaintiff's president Husome admitted that plaintiff's machine provided frequency discrimination to detect a particle in the bottom of a bottle (Tr. 1288-1292). Husome further admitted that plaintiff's machine selected signals having frequencies between 200 cycles per second and 5000 cycles per second to detect such particles (Tr. 508-571, 1311).

- (d) The District Court Erroneously found that Plaintiff's Machines, although Producing an Alternating Current Signal, is concerned only with the Initial Slope of the First Pulse and is not concerned with Matters of Frequency or Repetitive Pattern
- 

The District Court also erroneously found, with respect to Claim 7, that plaintiff's machines, although producing an



alternating current signal, are concerned only with the initial slope of the first pulse and are not concerned with matters of frequency or repetitive pattern (R. 1948). However, Husome admitted that the slope of a signal is dependent upon the frequency components in the signal (Tr. 1295-1305, 1323-1347). As the slope of the signal increases, the frequency components at the high frequencies increase (Tr. 1323-1347). In effect, the frequency components in the signal control the slope (Tr. 1323-1347).

- (e) The District Court Erroneously found that Progressive Segments of the Scanning Member in Plaintiff's Machines do not, at all times during the Complete Inspection Period, include the Center of the Bottle and Progressive Portions of the Periphery of the Bottle

The District Court erroneously found that plaintiff does not infringe Claims 9, 18, 20 and 21 because progressive "segments of the scanning member do not, at all times during the complete inspection period, include the center of the bottle and progressive portions of the periphery" (R. 1949, 1950, 1951, 1952). In such finding the District Court has added the phrase "at all times" to language taken from Claim 9.

Actually, as Ryde admitted (Tr. 1761-1777), the San Maino machine directs the energy from the light source to the photocell "along progressive segments of the bottom of the bottle where the progressive segments include the center of the bottom of the bottle and progressive portions of the periphery of the bottle..." (quoting from Claim 9). Ryde further admitted





(Tr. 1761-1777) that this occurs continuously through a period constituting more than one (1) revolution of the reticle or scanning member in the San Marino machine. In each revolution of the reticle or scanning member, plaintiff produces a pulse in representation of a particle in the bottom of the bottle. Since plaintiff requires only a single pulse to reject a bottle (Tr. 2224), plaintiff effectively scans "along progressive segments of the bottom of the bottle where the progressive segments include the center of the bottom of the bottle and progressive portions of the periphery of the bottle".

(f) The District Court Erroneously found that the Scanning Area of the Mirrored Line in Plaintiff's Scanning Member is not "Substantially Greater" than the Size of the Particle Sought to be Detected

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The District Court erroneously found that San Marino does not infringe Claims 18 and 21 because the scanning area of the mirrored line in plaintiff's scanning member is not "substantially greater" than the size of the particle sought to be detected (R. 1950, 1952). Admittedly, the scanning area of the mirrored line in the San Marino reticle is not as great as the area of each segment in the reticle of the '640 patent. However, Ryde admitted that the scanning area of the mirrored line in the San Marino reticle is approximately two or three times greater than the areas of some small particles detected by the San Marino machine (Tr. 1801-1806). This is particularly true when the particle is projected on the mirrored line of the San Marino





machine since this tends to decrease the effective size of the particle (Tr. 1804-1806). A relationship of 2:1 or 3:1 between the area of the mirrored line in the San Marino machine and the area of the particle certainly should come within the definition of "substantially greater" in Claims 18 and 21.

(g) The District Court Erroneously found that the San Marino Machines are not concerned with particular Levels, or Magnitudes, of an AC Signal produced by the Photocell as taught by the Patent-in-Suit

The District Court further erroneously found that San Marino did not infringe Claim 18 because the San Marino machines "are not concerned with particular levels, or magnitudes, of an AC signal produced by the photocell as taught by the patent in suit. Plaintiff's machines are responsive only to the rate of change of magnitudes of a pulse and not the ultimate magnitude of the pulses" (R. 1951).

As with most of the Court's findings on the question of non-infringement, this finding is directly opposite to the admissions made by plaintiff's witnesses. For example, Husome admitted that the slope of a signal is dependent upon the frequency and magnitude of the frequency components in the signal (Tr. 1295-1305, 1323-1347). As the slope of a signal increases, the frequency of the signal components in the signal increases (Tr. 1295-1305, 1323-1347). Because of this, "rate of change" is synonymous with frequency selection. As Husome further admitted (Tr. 508-571, 1311), San Marino selected the signal



components between approximately 200 cycles and 5000 cycles per second to detect the presence of a foreign particle in the bottom of a bottle. In selecting the signal components between 200 cycles and 5000 cycles per second, San Marino detected the amplitudes of these signal components to determine the presence of a foreign particle in the bottom of a bottle (Tr. 1295-1305, 1323-1347). Thus, San Marino is "concerned with particular levels, or magnitudes, of an AC signal produced by the photocell".

- (h) The District Court Erroneously found that Plaintiff's Machines do not use an Amplifier Means Tuned to a Specific Frequency Range
- 

The District Court erroneously found, with respect to Claim 23, that plaintiff's machines "do not use an amplifier means tuned to a specific frequency range" (R. 1953). The District Court predicated this holding upon a hypercritical meaning of the word "tuned". As the District Court admitted in paragraph (b) relating to Claim 23 (R. 1953 ), the San Marino machines "set up frequencies ranging from 200 to 5000 cycles per second". Certainly the selection of frequencies within a particular range comes within the meaning of the claim or constitutes an equivalence of such meaning.

- (i) The District Court Erroneously found that the Center (Axis) of Rotation of the Rotatable Means is not actually disposed within the Bottom of the Container
- 

The District Court cited, as one of the reasons for erroneously finding Claims 9 and 24 non-infringed, that the





"center (axis) of rotation of the rotatable means is not actually disposed within the bottom of the container" (R. 1949, 1953). There is a considerable difference between a center of rotation and an axis of rotation. As Ryde admitted, a center of rotation constitutes a single point whereas an axis of rotation constitutes a line (Tr. 1830). Certainly, the reticle in plaintiff's machine has a point where the axis of rotation of the reticle intersects the line extending through the center of the light source and the center of the lens (Tr. 1834). This point may be considered as the center of rotation of the reticle within the meaning of the language in Claims 9 and 24.

Actually, the term "center of rotation" was used in Claim 9 in an attempt to define a centered optical system. As the District Court admitted in paragraph (b) relating to Claim 9, the optical axis in the San Marino machine does lie within the periphery of the bottom of the bottle (R. 1949, 1950). Because of this, San Marino does come within the intent of the language in Claims 9 and 24.

(j) The District Court Erroneously found that Plaintiff's Scanning Member does not have Alternate Radial Opaque and Translucent Areas

In erroneously finding Claim 24 to be non-infringed, the District Court ruled that plaintiff's scanning member "does not have alternate radial opaque and translucent areas" (R. 1953). The District Court predicated this holding in part on the basis





that reading "the patent as a whole, the term "areas" means more than one with respect to both opaque and translucent respectively". This has been discussed in detail in paragraph (a) above.

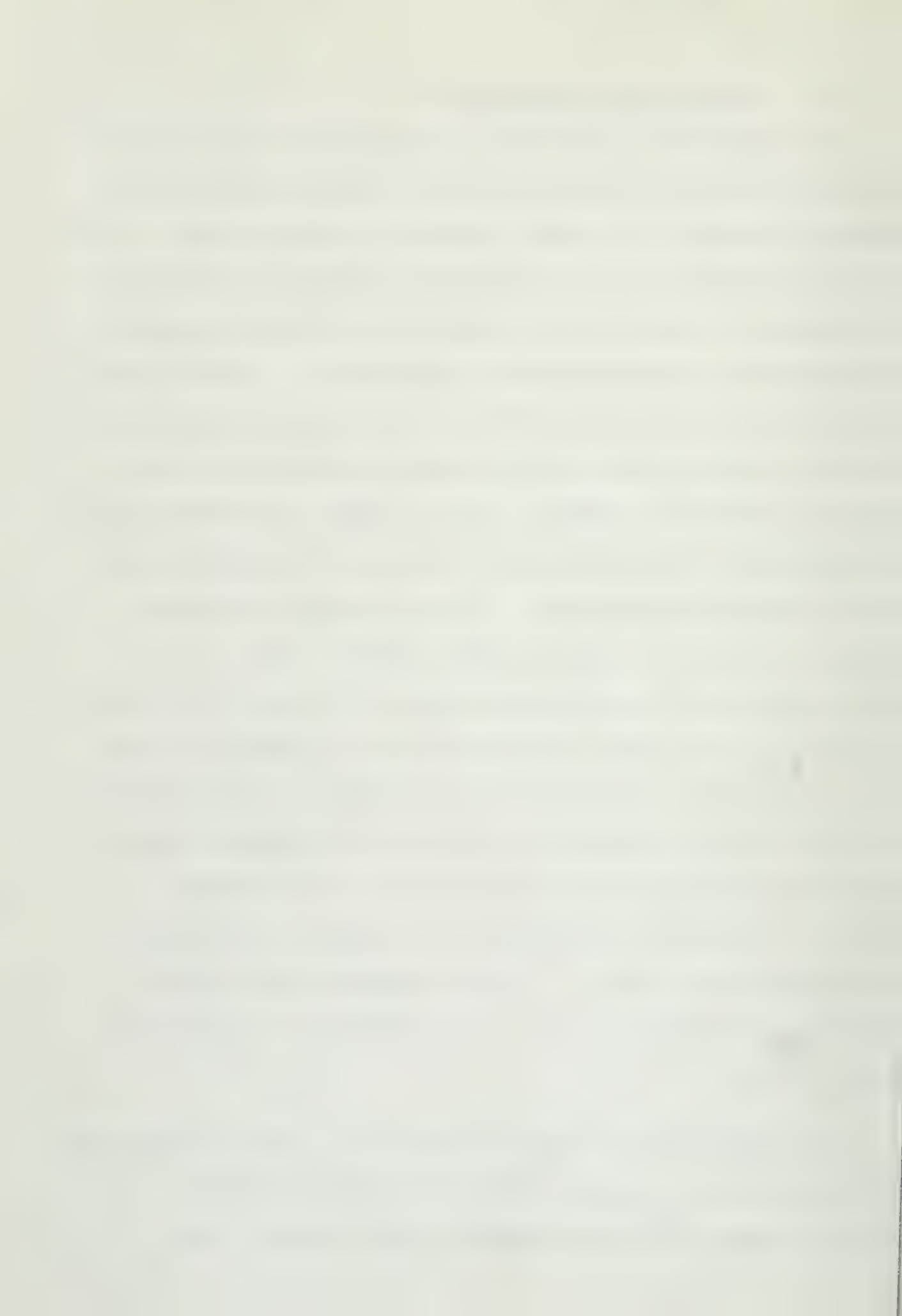
The District Court also held that the opaque area in plaintiff's machine does not extend "in a radial direction out from the center in the same or similar sense as the opaque areas of the scanning disc disclosed by the patent in suit" (R. 1953). This is again being hypertechnical. Although the opaque areas in the '640 patent start like a pie at the center of the reticle, the term "radial" is not intended to be limited to such a configuration. It was certainly intended to cover plaintiff's scanning line since plaintiff's scanning line bisects the scanning member and has boundaries only  $1/64$ " on opposite sides of the center of the scanning member.



## F. SUMMARY AND CONCLUSION

As hereinabove explained, the District Court arrived at erroneous conclusions concerning the issues of validity and infringement through an improper approach to these issues. The Court strove diligently to understand the particular embodiment of the invention disclosed in the patent-in-suit and regarded that embodiment as constituting the "invention". Laying aside initially the matter of the validity of the patent under § 103 of Title 35, the District Court then sought to understand the operation of plaintiff's machine and to compare such machine and its operation with the machine embodiment and its operation as disclosed in the patent-in-suit. Noting certain technical differences, such as the single-spoked reticle, the use of reflective, instead of refractive, optics, the use of RC instead of LC circuits, and certain differences in the electronic processing of the results of the spatial filtering accomplished by both plaintiff's and defendant's reticles, the District Court concluded that plaintiff's machines were not sufficiently identical to the machine embodiment of the patent, and hence, did not infringe the latter. In this approach, then, the District Court erroneously took a very restricted view of what the patent covered.

The District Court then turned to the issue of validity where, we submit, it committed further error in accepting plaintiff's assumption, unsupported by any evidence, that the



relevant prior art was far broader than patents and publications involving bottle inspections and included such patents as those in the missile and star tracking fields. Such assumption runs squarely contrary to the guidance offered by the John Deere case as to what properly constitutes prior art. The District Court also held improperly that the missile and star tracking patents were analogous art to that of bottle inspection even though a contrary finding should have been made on the basis of the testimony of plaintiff's witnesses and on the basis of the considerable differences between missile or star tracking and bottle inspection. Through the cumulation of these errors, the District Court found the machine of the patent obvious, and hence, invalid under §103 and did so as an afterthought, subsequent to reaching its conclusion that there was no infringement.

As we have attempted to point out in this brief, however, the District Court should first have ascertained the extent of the inventors' contribution to the relevant art, namely, that relating to the bottle inspection field. In so doing, the District Court would have found that the patent-in-suit was the first in that art to disclose a centered optical system which provided spatial filtering and then electronically processed signals, developed at the output of a photocell through such spatial filtering, to discriminate between signals produced by the presence of a foreign particle and unwanted and interfering





signals produced by other discontinuities in the bottle being inspected, such as interfering signals produced by the edge of the bottle. This, then, is the invention of the patent -- with the specific machine and circuit disclosure of the patent simply being "the best mode" known by the inventors at the time of filing their application for practicing said invention. Such invention was not obvious to persons skilled in the bottle inspection art, as the District Court admitted. Hence, the patent is valid under §103.

When this broader view of "the invention" of the patent is understood and adopted, it is then also quite simple to appreciate that the plaintiff's machines utilize fully the invention of the patent-in-suit, although they may employ the different mechanical and electronic expedients noted by the District Court. However, such mechanical and electronic expedients are equivalent to those disclosed in the patent for the reasons explained in this brief. Reading the claims as broadly as the scope of the invention justifies, this Court should readily find that plaintiff's machines are covered by one or more of these claims, and hence, infringe the patent-in-suit.

Rarely does a patentee prove the issues of validity and infringement through the admissions of the infringing party's witnesses. This is such a case. On essentially all



of the important points in this case, defendant has supported its position by citing testimony of plaintiff's witnesses, Husome, Stoate, Ryde and Greist, in cross-examination. These admissions should be afforded far greater credence than any testimony which such witnesses may have given on direct examination since such admissions represent the true positions of the witnesses rather than the positions adopted by plaintiff and mouthed by the witnesses.

Appellant submits, therefore, that the judgment of the District Court holding the patent-in-suit invalid and not infringed by appellee's machines should be reversed.

DATED: MAY 13, 1968.

Respectfully submitted,  
SMYTH, ROSTON & PAVITT

By

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Ellsworth R. Roston  
Attorneys for Appellant



C E R T I F I C A T E

I certify that, in connection with the preparation of this brief, I have examined Rules 18, 19 and 39 of the United States Court of Appeals for the Ninth Circuit, and that, in my opinion, the foregoing brief is in full compliance with those rules.

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Ellsworth R. Roston





AFFIDAVIT OF SERVICE

The undersigned hereby certifies that three (3) copies of the within Brief were this 13th day of May, 1968, served upon Martin R. Horn, Esq. of Spensley, Horn and Jubas, Attorneys for Appellee, by enclosing the same in a postpaid wrapper addressed to said attorney at Suite 1400, 6380 Wilshire Boulevard, Los Angeles, California 90048, and depositing the same in the United States mail.

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Ellsworth R. Roston



## APPENDIX A

The District Court made the following findings of fact with respect to the prior art:

"11. The Court finds that each of the elements of the patent in suit as hereinabove discussed was well known in the prior art:

(a) A centered optical system, including a disc providing a radial scan, is disclosed in the British patent No. 517,229 issued to Stoate January 24, 1940, and United States patent No. 3,034,405 filed October 13, 1953, and issued to Biberman, et al., May 15, 1962.

(b) The use of DC to detect large objects in a container is disclosed by Stoate '229; United States patent No. 2,265,037 issued to Gulliksen December 2, 1941; United States patent No. 2,439,490 issued to Schell April 13, 1948.

(c) The use of AC to detect foreign objects is disclosed by United States patents to Fitz-Gerald No. 2,016,036; Biberman No. 3,034,405; Schell No. 2,439,490; and Weathers No. 2,427,319. The art of attenuating signal components having undesirable frequencies in an AC signal to emphasize other signal components having a particular frequency or frequencies in the AC signal is well known. The art of emphasizing the signal components having the particular frequency or frequencies in the AC signal is also well known.



(d) The Stoate '229 patent discloses a DC system, but does not disclose or contemplate the concept of spatial filtering for the generation of signal components of different frequencies and the selection by electronic techniques of the frequency or frequencies representing small particles in the bottom of the bottle.

(e) The Biberman '405 patent discloses a missile or star tracking system but does not disclose a bottle inspection system. The Biberman '405 patent is the only reference specified in paragraphs 11(a), 11(b) and 11(c) of the Findings of Fact that discloses a centered optical system with a radial scan for providing spatial filtering." (Finding No. 11 (a)-(e); R. 1942,1943).

"14. Of the above-mentioned prior art references, only Fitz-Gerald '036 was before the United States Patent Examiner. However, the Patent Office cited references disclosing centered optical systems with radial scans in the field of star tracking and missile tracking systems, and the defendant, through its attorneys, called other similar references to the attention of the Patent Office. Such references further disclosed the concept of spatial filtering in the star tracking and missile tracking field. The '640 patent was granted over such references. (Finding No. 14; R.1944).





"15. Upon review of the evidence adduced, the Court finds that the following patents are part of the relevant prior art:

(a) Stoate '229 teaches the use of a centered optical system with a rotatable scanning member having a single radial slit. The scanning member is disposed above the bottle being inspected, with its axis of rotation coincident with the common axis of a light source, bottle and a photocell. \* \* \*

(b) Biberman '405 discloses, in a star tracking or missile tracking system, a centered optical system including a reticle with alternately disposed opaque and translucent areas for the detection of a foreign object in a field of view. Biberman '405 further suggests the use of AC circuitry tuned to a particular frequency to detect a foreign object in a field.

(c) Schell '490 and Weathers '319 teach the combination of an AC signal for the detection of small foreign particles in a field of view, and a threshold or DC level signal for the detection of opaque bottles and large particles in bottles. Further, the Weathers patent discloses the detection of foreign particles in the field of view by use of a tuned circuit." (Findings Nos. 15(a), (b) and (c); R. 1944-1945).

"17. The detection of objects in a field of view in the star tracking or missile tracking field occurs in a



relatively homogeneous background. The detection of a small foreign particle in the bottom of a bottle occurs in a substantially non-homogeneous background, especially since the signal components produced by scanning the edges of the bottle have a much greater intensity than the signal components produced by scanning small particles in the bottom of the bottles. Nonetheless, the Court finds that both come within the art here concerned as defined in paragraph 9 hereof. (Finding No. 17; R. 1945, 1946).

"18. Some of the problems presumably encountered and solved in the development of the defendant's alleged invention were previously recognized and solved by others in the field of missile or star tracking prior to the filing of the '640 patent application by the inventors. Other such problems were previously recognized and solved in the field of bottle inspection prior to the filing of the patent application by the inventors. Some of the problems specific to the bottle inspection field, including the effects of the edge of the bottle, were neither recognized nor solved by others prior to the filing by the inventors of the patent application which matured into the '640 patent. (Finding No. 18; R. 1946).

"19. The Court finds that both Williams and Calhoun, the named co-inventors of the patent in suit, possessed at



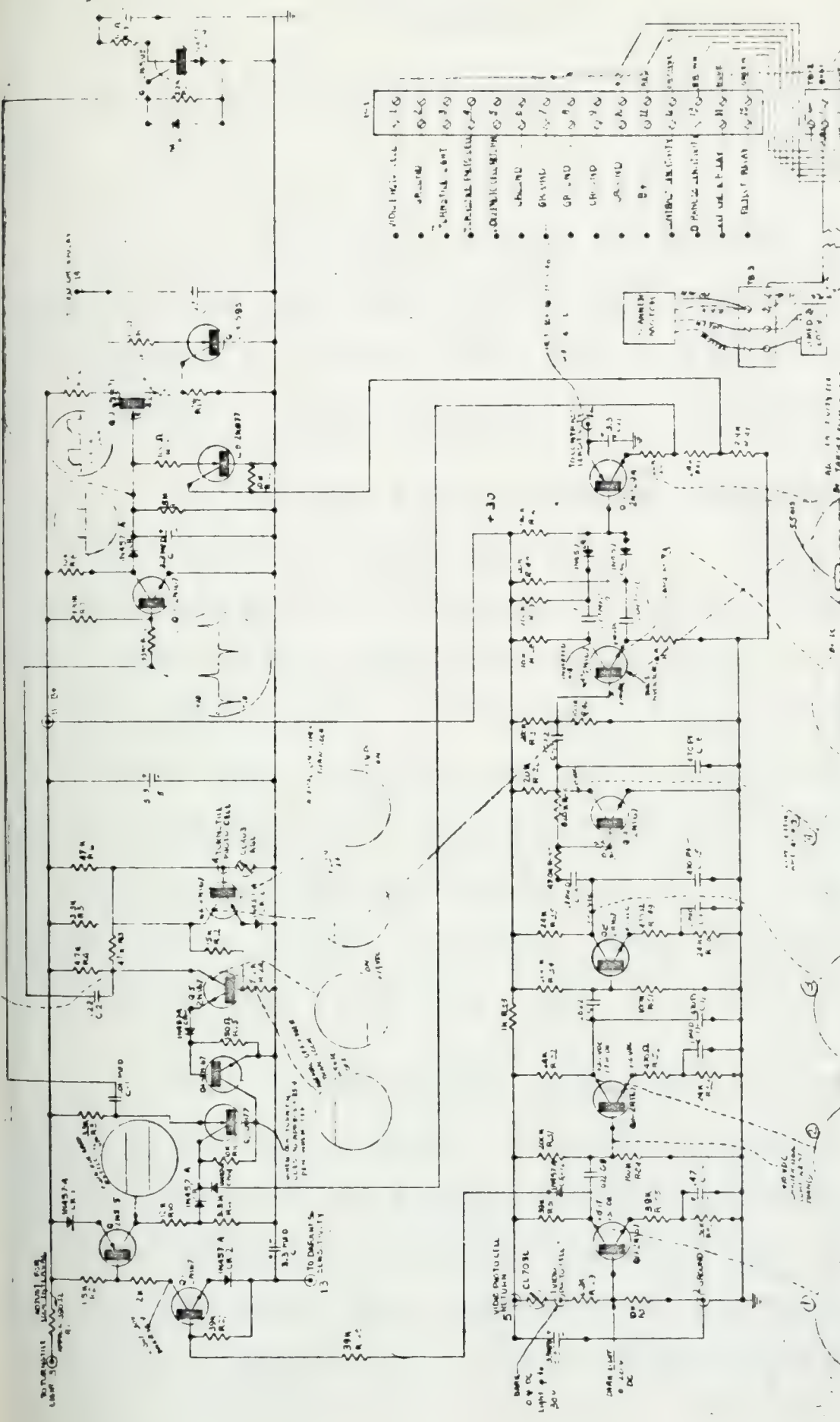
least ordinary skill in the guided missile and missile tracking field, wherein the use of spoked reticle-AC systems for the electro-optical detection of objects against a background was well known prior to filing the patent application for the patent in suit. \* \* \* " (Finding No. 19; R. 1946, 1947).



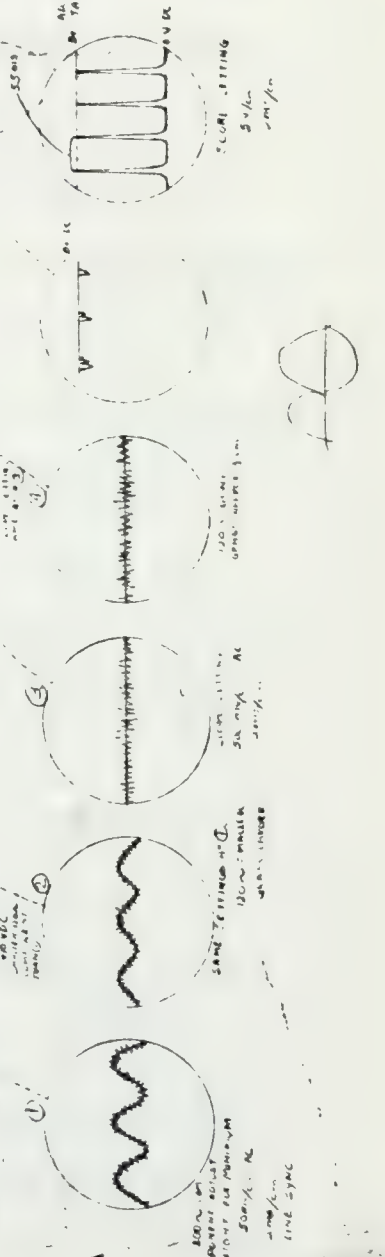








SAN MARINO ELECTRONIC CORP  
ELECTRONIC SCHEMATIC  
INSPECTION HEAD







## APPENDIX C

The District Court made the following conclusions of law:

"4. 35 U.S.C.A. Section 282 provides in part, 'A patent shall be presumed valid. The burden of establishing invalidity of a patent shall rest on a party asserting it'. Plaintiff herein is charged with that burden.

"5. Whether arts are analogous depends upon the similarity of their elements and purpose. If elements and purpose in one art are so related and similar to those in another art that the relationship would appeal to the mind of a person having mechanical skill and knowledge of the purposes of the other, then the arts may be said to be analogous. The nature of the art or field of interest we are here concerned with is the detection of objects in a field of view by electro-optical techniques, rather than being limited to the bottle inspection field. (See also Finding No. 9.)

"6. Electro-optical systems for the detection of objects in the sky, detection of material moving on a conveyor, detection of the presence of objects moving on the ground, and detection of objects in a container, all are systems which reside in an analogous art, and such systems employ similar elements in a similar relationship for a





similar purpose. Further, such systems are related by the end object of seeking to detect an object having distinct light or dark characteristics in a background of different light or dark characteristics. (See also Finding No. 10.)

"7. Both parties have properly characterized the patent in suit as a combination patent. In construing the patent, it must be read as a whole and the claims interpreted in the light of the specifications.

"8. The evidence establishes and the Court concludes that each element of the patent in suit is anticipated in prior art references as such prior art is defined in Conclusions 5 and 6 hereof. No single element of the patent in suit constitutes invention. Scrutiny of combination claims should be even more detailed when, as with the patent in suit, the old elements have been previously employed in a similar relationship for a similar purpose, or when the elements perform the same function in combination as out of it.

"9. Even if all the claims here in issue disclosed the combination of all of the elements of the alleged invention, each of such claims would be invalid for lack of invention over the prior art here concerned. 'A patent for a combination which only unites old elements with no change in their respective functions, . . . obviously withdraws what



already is known into the field of its monopoly and diminishes the resources available to skillful men.'

Farr Co. v. American Air Filter Co., 318 F.2d 500,  
503 (9th Cir. 1963).

"10. The validity of the '640 patent depends on the disclosure of a combination that 'produces in some way or manner a surprising or unusual result which would not have been expected by a person having ordinary skill in the art.'

Canadian Ingersoll-Rand Company v. Peterson  
Products of San Mateo, 223 F. Supp. 803, 808  
(N.D. Calif. 1963).

The patent in suit does not meet this test. The results of combining elements as was done in the '640 patent would be obvious to one of ordinary skills in the art of detecting objects in a field of view by electro-optical techniques.

"11. No claims in the patent are so broad as to purport to include each of the elements of the combination that the defendant contends for its patent, as set forth in Finding of Fact No. 4.

"12. All of claims 7 to 15, inclusive, and 17 to 24, inclusive, are invalid as being obvious under 35 U.S.C.A. Section 103.



"13. If the missile and star tracking field cannot be properly considered with the bottle inspection field as a single art of detecting objects in a field of view by electro-optical techniques, the system disclosed and claimed in the '640 patent constitutes an invention over the prior art relating to bottle inspection, and the patent is valid. (R.1954-1956). \* \* \* \*

"18. The burden of proof is upon the one asserting infringement to establish the infringement of a patent by a preponderance of the evidence.

"19. Where the elements of the patent are found in various prior patents in the same art or field of interest, the patent will be construed strictly according to its terms. The terms in a patent must be strictly construed against the patentee in determining infringement. Claims must be construed not only in the light of the specification and drawings, but also with reference to the file history; claims must always be explained by and read in conjunction with, the specification and in the light of definitions and admissions made by the applicant in Patent Office proceedings.

"20. In order for a patent to be infringed, each and every element of at least one of the claims of the patent must find its counterpart in the accused device, a situation that is not present here as to any claim.





"21. In order to constitute equivalency of devices, it must be established that the same or similar functions are performed in substantially the same way or manner or by the same, or substantially the same, principle or mode of operation. Although the device disclosed in the '640 patent and the SME devices are similar from the standpoint of result (or function) (save the neck detection function of the SME machines, a capability not achieved by defendant's device), they are dissimilar as to the means of achieving these results (or performing these functions), and therefore are not equivalent.

"22. An invalid patent may not be infringed, and the Court accordingly concludes that none of the claims here concerned are infringed by the plaintiff's machines. Moreover, even if the patent in suit were in any respect to be declared valid, the Court concludes that it is not infringed, in light of Conclusion No. 20 hereof and Finding of Fact No. 22.

"23. Plaintiff is entitled to a declaratory judgment on its Complaint that claims 7 to 15, inclusive, and 17 to 24, inclusive, of the patent in suit are invalid and not infringed." (Findings Nos. 4-13, 18-22; R. 1957-1958).



## APPENDIX D

### A. DESCRIPTION OF INVENTION IN EACH OF THE PATENTS CITED BY THE DISTRICT COURT

#### Fitzgerald Patent 2,016,036

Fitzgerald discloses a photoelectric system using a first screen divided into transparent and opaque squares 7 and 70 and a second screen divided into transparent and opaque squares 70 and 7 to detect movements of an object 3. Light is directed by a lens 1 and prisms 4,40 and 5,50 to form two parallel beams. The first and second screens are so disposed relative to the beam that light is passed through the transparent squares of only one of the screens at any one time to the moving object 3. This will cause the image of the object to appear alternately at opaque and transparent segments of the screens to produce signals alternately at photocells 6 and 60. Electrical circuitry is provided to detect the alternating signals produced at the photocells 6 and 60.

#### Biberman Patent 3,034,405

Biberman discloses a scanner for use with a target signal generator 10 to detect a target in a sky. The generator 10 includes a rotor 22 and a scanner 30 mounted on the rotor to provide spatial filtering. Two different patterns for the scanner are illustrated in Figures 3 and 4. A Cassegrain telescope focuses onto the scanner 30 radiation from sources



within the view of the telescope. The Cassegrain telescope has a spherical reflector 12 with an opening 13 in the center and a plane reflector 16. The reflectors 14 and 16 are mounted on a gimbal 18.

#### British Patent 517,229

By combining British patent 517,229 and British patent 469,458 and by particularly construing such portions of British patent 517,229 as page 3, lines 41 to 46, inclusive, and page 3, lines 76 to 85, inclusive, a scanning system with a centered optical scan may be construed. A bottle may be disposed with a slit 12 having a substantially radial configuration and may be rotated relative to the slit. Light is directed upwardly through the slit and the bottle from a source to a photocell. When a particle interrupts the light, the average amount (dc) of light reaching the photocell decreases to provide an indication of the particle.

#### Gulliksen Patent 2,265,037

Gulliksen discloses a system in which a lens 14 is rotated and simultaneously driven in a radial direction to define a spiral movement. The lens 14 is disposed between a light source and a bottle so as to scan the entire bottom of the bottle as it describes the spiral path. A phototube 18 is disposed above the bottle to receive the light passing through the bottle. When a particle in the bottom of the bottle





interrupts the light passing through the bottle, an impulse is generated at the photocell 18 to indicate the presence of the particle. This impulse is amplified at 19.

#### Weathers Patent 2,427,319

This patent relates to a system for inspecting full bottles for particles. The bottles are carried by a turntable past an inspection point at which light is directed through the bottle onto the photocell 72 by an optical system 73. The turntable is driven by an appropriate gear 74. As the turntable rotates, pulleys 75 connected to the successive bottles are brought in contact with a belt 76 driven by a motor 80. This causes the bottles to spin and the bottles thereafter continue to spin freely for a moment until the pulley 75 strikes a brake shoe 86. The pulley is thus brought to a stop and the bottle is also stopped. However, the liquid contents within the bottle continue to swirl at a particular speed.

The optical system includes two banks of phototubes 12 and 14. Light from the inspecting beam 10 passes through the fluid contents of a bottle under inspection and is distributed between the two banks equally. In the absence of any particle, the output of one bank of photocells is balanced against the equal output of the other bank. When a particle is present in the liquid, an unbalance is produced between the banks of photocells as the particle crosses the beam of light. This unbalance causes a signal to be produced at a frequency



dependent upon the size of the particle. Waveforms produced by particles of different size are illustrated in Figure 1.

Schell Patent 2,439,490

Schell discloses a system in which the bottle to be tested is initially rotated and then stopped in a manner similar to the Weathers patent. When the bottle is stopped, any particles in the bottle continue to rotate so as to produce pulses at the photocells 6 and 8. These pulses are detected by an amplifier including the tubes 46 and 18 during an inspection period S1 in Figure 4, the switch 42 being closed and the switch 40 being open. The pulses cause the gas tube 18 to be fired and current to flow through relay coil 48 to obtain a rejection of the bottle.

Schell also detects the opacity of the bottle during a time period S2, which occurs by closing the switch 40 and opening the switch 42. When the switch 42 is opened, it introduces the resistor 44 into a circuit with the photocell 8 so as to increase the potential at point A. This increase in potential is dependent upon the resistance of the photocell 8, this resistance in turn being dependent upon the opacity of the bottle being inspected. When the bottle being inspected is relatively opaque, a single pulse passes through a tuned circuit (Tr. 2318) and causes current to flow through the relay coil 48 to obtain a rejection of the bottle.





B. THE REFERENCES CITED BY THE DISTRICT COURT DO NOT DISCLOSE OR ANTICIPATE THE COMBINATION OF FEATURES CONSTITUTING THE INVENTION OF THE '640 PATENT

The '640 patent may be considered to provide a centered optical system (with a radial scan) to provide spatial filtering for producing signal components at different frequencies to represent particles in the bottom of the bottle and undesirable effects such as edge effects in combination with electronic circuits to select the signal components at the frequencies representing the particles in the bottom of the bottle. The combination of features may also be considered to include electronic circuits for separately processing the steady state (or dc) signal components to indicate the opacity of the bottle and the presence of large particles in the bottle.

None of the references cited by the District Court discloses the combination of features discussed above.

Biberman Patent 3,034,405 may be considered to disclose a centered optical system (with a radial scan) to provide spatial filtering and may be considered to suggest electronic circuits to provide frequency selection. However, the Biberman patent relates to the missile tracking field, which is not analogous to the bottle inspection field.

Stoate Patent 517,229 may be considered to disclose a centered optical system for inspecting empty bottles for





foreign particles. However, Stoate did not appreciate the significance of spatial filtering to provide a frequency spectrum where the frequencies of the signal components representing the particles are separated from the frequencies of the signal components representing undesirable effects such as edge effects in the bottle. Because of this, Stoate also does not provide electronic filtering to select the signal components having frequencies representing the particles in the bottom of the bottle.

Gulliksen Patent 2,265,037 does not provide a bottle inspection system with centered optics and further does not provide spatial filtering or electronic filtering. The provision of a spiral scan by Gulliksen required him to mask the edge of the bottle so that particles near the edge of the bottle could not be detected.

Fitzgerald Patent 2,016,036 does not disclose a centered optical system and further does not disclose a system for detecting empty bottles for particles. Fitzgerald also does not disclose an inspection system which employs the techniques of spatial filtering and electronic filtering to isolate the signal components representing particles at the bottom of the bottles from the signal components representing undesirable effects such as edge effects at the bottom of the bottle.



Weathers Patent 2,427,319 does not disclose an inspection system for empty bottles and further does not disclose a centered optical system. Weathers also does not disclose the concept of spatial filtering to provide individual frequencies for the signal components representing particles in the bottom of the bottle and undesirable effects such as edge effects in the bottles.

Schell Patent 2,439,490 discloses a system for detecting particles in full bottles and for detecting the opacity of the bottles. Since the Schell patent constitutes an improvement of the Weathers patent, Schell does not disclose a centered optical system and further does not disclose spatial filtering. Schell also does not disclose a system for producing a direct current signal to indicate the opacity of the bottle being inspected and to indicate large particles and alternating current signals or pulses to indicate small particles and for separately processing the direct current and alternating current signals. In contrast, Schell produces first pulses to indicate large particles and alternating current signals and second pulses to indicate small particles and processes the first and second pulses in the same electrical circuits.



## IN SUMMARY:

1. Only Stoate Patent 517,229 may be considered to disclose a centered optical system for use in bottle inspection.

2. None of the patents discloses spatial filtering in bottle inspection systems to separate the frequencies of the signal components representing the particles from the frequencies of undesirable effects such as the edge effects in the bottles.

3. None of the patents discloses the concept of providing alternating current signals or pulses to represent small particles in the bottom of the bottle and of providing direct current signals to represent large particles in the bottle and opaque bottles and of separately processing the alternating current signals and the direct current signals.





No. 22592

IN THE

UNITED STATES COURT OF APPEALS

JUL 12 1968

No. 22592

SAN MARINO ELECTRONIC  
CORPORATION,

Appellant,

vs.

GEO. J. MEYER MANUFACTURING  
CO.

Appellee.

FILED

JUL 12 1968

WM. B. LUCK, CLERK

Appeal from the United States District Court  
for the Central District of California

CROSS-APPELLEE'S ANSWERING BRIEF

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## STATEMENT OF FACTS

In the interest of brevity we do not undertake here to restate the facts, although in many respects the cross-appellant's statement of the facts, both in form of presentation and the adjectives and adverbs used, does not convey an accurate impression on the record.

Contrary to cross-appellant's statement of facts at page 6 of its brief, this litigation was not brought upon SME by Meyer. It was instigated by SME and the scatter-gun patent misuse issues, which are the subject of this cross-appeal, were initiated by SME. There is absolutely nothing in the record to substantiate the statement at page 6 of cross-appellant's brief that its cost in the litigation to date is approximately \$130,000.00.

Meyer is the modest-sized Milwaukee-based company which at the time of the trial had sales of approximately \$50 million per year. (Tr. \*600). It manufactures equipment for brewers and bottlers of soft drinks which is used for washing, handling, filling and capping bottles and cans, as well as other procedures incidental to the operation of a bottle or can line. (Exs. 35, 36; Tr. \*585, \*600-601.) With respect to each of the types of equipment which it manufactures or offers for sale, Meyer has substantial competition, its principal competition

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\* All transcript page references which are preceded by an asterisk (\*) are to the transcript of the misuse portion of the trial on September 27-30 inclusive, 1966. Unasterisked transcript page references are to the transcript of the patent portion of





coming from Barry Wehmillier Company and Crown Cork & Seal Company, both of which sell or have sold machines for inspecting empty bottles for foreign particles which are competitive with the Mark IV Bottle Inspector manufactured and sold by Meyer. (Tr. \*599, et seq.; Ex. 35). Cross-appellant's statement of facts at page 7 of its brief contains several misleading statements respecting Meyer. Contrary to cross-appellant's statement, Meyer is not the largest manufacturer of bottling equipment in the United States, nor does the record support the statement that Meyer admits to having more than 90% of the market for equipment in the bottling handling field. Nor is there any record support for the assertion that Meyer has accumulated somewhat over 200 patents.

The ownership or control of patents is not of fundamental importance in the packaging machinery industry in which Meyer engages. (Tr. \*581-582, Tr. \*604). Most of Meyer's patents originate from inventions made by its own employees. (Tr. \*580-581). In the last twenty-five years it has purchased no more than ten patents. (Tr. \*581). Meyer has no policy against licensing its patents (Tr. \*589), but it receives few requests for patent licenses. (Tr. \*602).

In 1959 Industrial Dynamics Corporation was a very small California company having four or five employees. (Tr. \*439). Its principal officers and majority stockholders were three inventors, Messrs. Calhoun, Wyman and Williams. (R.1689). They had invented a machine to inspect empty bottles for the



presence of foreign particles after they came out of a washer, which they called the Mark IV. (Tr. \*428). They had applied for patents on the inventions that formed the basis of the bottle inspection machine, but the patents had not yet been issued. (R. 1689-1690). Apart from the patent applications IDC had very few assets. (Tr. \*432-434). Calhoun, who became the chief executive officer of the company in 1959, after Messrs. Wyman and Williams had resigned<sup>1</sup>, concluded that IDC had neither the capital nor the marketing experience to manufacture and sell the bottle inspection machine. (Tr. \*434-437). Calhoun wished to develop other products but to do so he needed cash and he needed to affiliate his company with a company that had expertise in marketing and market development of machinery for packaging. (Tr. \*436). For these and other reasons (Tr.\*435-436) he decided to sell the patent applications outright or license them under some other type of arrangement that would produce cash which he could use for other developments. (Tr. \*435). For reasons of tax impact a sale of the patent applications seemed to be desirable. (Tr. \*437-438).

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<sup>1</sup> In July, 1959, Mr. Wyman terminated his relationship with IDC and subsequently established his own company known as Industrial Automation Corporation. (Tr. \*228). In 1960, Industrial Automation Corporation developed a machine for inspecting empty bottles for foreign particles which it designated as the MS600. (Tr. \*169). The present chief executive officer of SME, Mr. Robert Husome, had been employed as chief engineer of Industrial Automation Corporation prior to the incorporation of SME in October, 1962 (Tr. \*112). While at Industrial Automation Corporation he had been involved with its empty bottle inspection machine and learned the principles of the machine.





Commencing in 1959 IDC opened negotiations with the companies in the packaging machinery industry that might be interested in acquiring the bottle inspection machine patent applications - Crown Cork & Seal, Barry Wehmiller, RCA and Meyer. (Tr. \*438, \*440, \*588). It became clear from these negotiations that no company would pay a large lump sum in cash for the applications because the future success of the machine was entirely too speculative. (Tr. \*438). It was also clear to Calhoun that to maximize IDC's return it should contract to sell the applications under a contract requiring the buyer to make payments based upon the sale of machines. IDC also learned that no company would buy the patent applications and undertake manufacture of the bottle inspection machines unless it could be assured that (1) it would receive IDC's Mark IV Inspector know-how with the applications; and (2) that during the pendency of the applications and before the patents issued IDC would not immediately re-enter the field and manufacture the same machines in competition with the buyer. (Tr. \*439, \*590). In spite of the fact that IDC was negotiating for the sale of the bottle inspection machine patent applications, its bargaining position was strong; it did not have to sell and it was in a position to get many of the clauses in the agreement that it wished from the buyer. (Tr. \*355, \*588). In the spring of 1959, Mr. Leo Meyer and his son, George, who later succeeded him as president of the Meyer Company, visited the IDC plant in California and commenced serious negotiations with Mr. Calhoun looking to the licensing





or acquisition of the bottle inspection machine patent applications. (Tr. \*587). These negotiations culminated in an agreement between IDC and Meyer pursuant to which Meyer purchased the patent applications. (Ex. 8).<sup>2</sup>

This agreement (Exhibit 8) which can be described as the agreement of September 21, 1959, had as a part of it another agreement which is entitled "Consultant Agreement" and bears the same date and was executed by Meyer, Calhoun and Abner L. Browning, who was an engineer that was employed by IDC during the year 1959. (Exh. 9).

The negotiations were conducted through the summer of 1959. (R. 1691-1693). The final agreement was the product of the drafting and revisions of drafts by some twenty-five people. (Tr. \*279). It is apparent, upon reading the agreement with the knowledge that the parties understood when the agreement was signed that IDC would become dormant (Tr. \*354, \*540 and Leo Meyer Deposition, p. 95), that the agreement went through a number of drafts and that the final draft was not carefully edited to take into account all of the changes that had been made or contemplated. (Tr. \*455, R. 1694-1695). To illustrate, the agreement makes reference to both "bottle inspection machines" and "bottle inspecting machines," [e.g., Art. IV refers to ". . . bottle inspecting machines forming the subject matter of this agreement . . ."] although Calhoun, who was the principal

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<sup>2</sup> Throughout its brief cross-appellant refers to this agreement as the "Patent Transfer Agreement;" in point of fact the document is entitled "Agreement" and does not bear the characterization that cross-appellant seeks to give it, although it did in fact result in transfer of the patent applications.



executive in IDC, and Wyman, a co-inventor, made no distinction between inspecting and inspection machines. (Tr. \*220, \*253).

The early drafts of the agreement did not contain a definition of "bottle inspection machines", (R. 1692, et seq.) but Calhoun requested that such a definition be inserted in the agreement for the protection of IDC as well as Calhoun and Browning. (Tr. \*298-299, R. 1694). This definition which is found in the first "Whereas" clause on the first page of the agreement (Exh. 8; Tr. \*299-300, \*309-312) defines "bottle inspection machine" (there are quotations around these words in the agreement) as a machine used to detect foreign matter in bottles that have not been properly washed "for which invention two applications for Letters Patent have been filed in the United States Patent Office on . . . and which bear the Serial Numbers 741,634 and 808,172, . . ." In his testimony, Calhoun explained that he requested the clause which tied the definition to the patent application numbers. (Tr. \*311-312). He felt that by so doing the limitations upon himself and his company would be reduced to a bare minimum. (Tr. \*312). That this was intended to be a definition of bottle inspection machines is also clear from Article IV and Paragraph 4 of the Consultant Agreement (Exh. 9) which refers to ". . . bottle inspection machines as defined in the agreement between Meyer and Industrial".

The bulk of cross-appellant's arguments are directed to Article XIV of the basic agreement of September 21, 1959, which provides "INDUSTRIAL agrees that it will not enter into competition with MEYER in the manufacture or sale of bottle





inspecting machines during the life of this agreement." In his testimony Calhoun explained that no company was interested in buying the patent applications unless they had some assurance that IDC (also referred to as "INDUSTRIAL") would not immediately re-enter the field and manufacture the same machines in competition with the buyer. (Tr. \*439). He felt that it was reasonable to give the buyer a covenant against competition in the sale of the same machines covered by the agreement during the period before the patents issued. Calhoun explained that in 1959 IDC was a small alley workshop that had a piece of equipment and four or five employees. It was asking for \$75,000.00 cash for its invention. At that time the ultimate success of the invention was highly speculative. Calhoun felt that in return for \$75,000.00 cash, plus a contingent payment on each machine that would be sold that it was reasonable for the buyer to receive some protection against competition in the very same machines by IDC prior to the issuance of the patents. (Tr. \*439-440; Tr. \*451-452). Calhoun's testimony on this subject is very instructive (Tr. \*451):

"THE WITNESS: Well, as I understood the conditions of paragraph XIV, it was a measure of protection for the Meyer Company between the time that we sold them these applications for \$75,000.00, protecting their \$75,000.00 until another means of protection could be obtained, that is the issuance of the patents, which could be a period of many years, I thought. I have heard of patents taking as long as five to six to eight years to issue....."





Meyer wanted to be assured that in addition to receiving the patent applications it would also obtain IDC's know-how respecting the inventions. This provision, plus the Consultant Agreement, gave Meyer some such assurance. (Tr. \*590).

The Consultant Agreement was actually suggested by Calhoun (Tr. \*356) because, as he explained, he decided that upon the sale of the patent applications IDC would become a dormant corporation and that he would organize a new corporation having different stock ownership. (Tr. \*352-353). He so advised Leo Meyer (Tr. \*456) and suggested that in view of the fact that IDC would no longer be an operating company, some consultant agreement that would assure Meyer of receiving the IDC bottle inspection machine know-how was appropriate. (Tr. \*352-354, \*343, \*356, \*456, \*540, \*590 and Leo Meyer Deposition, p. 95). Further, Calhoun explained the Consultant Agreement would give Meyer at least for a limited period of time certain rights to improvements made on the basic patents by the IDC engineers. (Tr. \*354-355).

Article VIII of the basic Agreement contains two clauses which are also discussed in cross-appellant's brief. Under Article VIII A. IDC agreed to make improvements in "bottle machines forming the subject of this agreement, . . ." available to Meyer at no additional royalty. Calhoun explained that this clause was intended to cover improvements on the inventions disclosed in the patent applications - something that fell within the scope of the basic invention covered by the applications. (Tr. \*453). He explained that he felt that it was to his advantage to sell the improvements in advance to the Meyer Company



because he desired to have the Meyer Company have the improvements so that it could sell more machines and maximize his royalties. (Tr. \*263 and \*453). He observed that he could not use or license an improvement patent without having rights under the basic patent in any event. (Tr. \*453-454).

Under Article VIII C. IDC gave Meyer rights of first refusal on inventions "relating to electronic applications for the packaging industry." The paragraph gave Meyer no absolute rights. Calhoun explained (Tr. \*454) that IDC was not compelled to license or sell to Meyer but simply to make an offer to Meyer if it decided to offer the invention to others. Calhoun placed very little importance on the paragraph and stated that after it was decided that IDC would become dormant the paragraph should have been removed from the basic Agreement entirely. (Tr. \*455).

After the agreements were signed on September 21, 1959, IDC became dormant and changed its name to Electro Dynamics Company (Tr. \*354), but Calhoun and Browning, working as the owners and officers of the new company, Industrial Dynamics, Ltd., continued to invent in the field of bottle inspection (Tr. \*464-466) and acting on their own as well as under research and development contracts with Meyer, made substantial improvements in the Mark IV Bottle Inspection Machine (Tr. \*457-459, \*462, \*469-470) as well as developed a "second generation" bottle inspection machine which improved upon the Mark IV and which has been designated as the Mark V. (Tr. \*380-383).

The relations between Meyer and Calhoun and his companies since September, 1959 have been cordial but at arm's length. (Tr. \*596). Meyer has marketed some of Calhoun's





products under short term marketing agreements (Tr. \*343-345) but in no respect has had an exclusive on Calhoun's products. Calhoun has decided to do some of his own marketing partly because of dissatisfaction with Meyer. (Tr. \*345).

In June of 1966, after this litigation was commenced but before the trial of the misuse issues, IDC (which was then known as Electro Dynamics Corporation) entered into an agreement with Meyer rescinding Article XIV of the original agreement of September 21, 1959. (Exh. B). Calhoun explained that the purpose of this agreement was to foreclose any misinterpretation of the contract. Because the original contract had been interpreted by the cross-appellant in a manner quite different from the intention of the parties that executed it, Meyer and IDC thought it advisable to rescind Article XIV in order to eliminate the possibility of future misunderstanding. (Tr. \*447).

Meyer has licensed the Mitsubishi Company of Japan to manufacture the Mark IV Bottle Inspector but it is clear from the agreements and the testimony that Meyer has not licensed its U. S. patents-in-suit to Mitsubishi and that the Mitsubishi agreement does not relate to the U. S. patents-in-suit. The U. S. patent application numbers are referred to in the Mitsubishi agreement for descriptive purposes only. (Tr. \*602, \*616).

The "facts" stated on pages 16-19 of cross-appellant's brief which cross-appellee contests are those set forth in the first full paragraph on page 17. Cross-appellant's language is not taken verbatim from the Findings of Fact and Conclusions of Law cited in support thereof, but consists of paraphrase for its





own benefit. These particular findings of fact and conclusions of law, however, are attacked as clearly erroneous in cross-appellee's opening brief on its appeal from the District Court's judgment, to which reference is hereby made for a statement of cross-appellee's position as to such alleged facts.

With respect to cross-appellant's statement of facts concerning Meyer's alleged knowledge of the Stoate '229 patent, cross-appellant omits from its quotation from Finding of Fact No. 15(a), the following:

"However, the defendant's attorneys were not convinced at that time that such references actually disclosed a centered optical system, and the defendant did not practice any fraud by any failure on its part to call the Stoate '229 patent to the attention of the Patent Office."

This subject, moreover, is dealt with more fully and answered infra, page(s) 42-49.

Cross-appellant misstates the situation in asserting that "Meyer filed the continuation application embodying broader claims than those recited in the patent application". Cross-appellee's position on this point is developed in this brief, infra, at page(s) 51-60 -- , wherein it is shown that the claims added during prosecution of the continuation application do not define a new and different invention from that originally disclosed and broadly covered in Claim 15 of the original application. In any event, under the authorities also there discussed, the important consideration is the invention disclosed in the original application; since the specification and drawings were the same in both applications, there was no objectionable late



claiming under the authorities relied upon by cross-appellee and discussed infra, page(s) 53-57.

### STATEMENT OF THE ISSUES

Cross-appellant's statement of the questions involved and its largely redundant statement of errors upon which it relies are, we believe, unnecessarily long and complex. We believe that the issues can be reduced to several simple questions:

1. Is the subject of the Agreement of September 21, 1959, and are the machines referred to in Article XIV of that Agreement and Paragraph 4 of the Consultant Agreement those machines covered by the two patent applications sold by IDC to Meyer and only those machines? The trial court answered these questions in the affirmative.

2. Is Meyer guilty of patent misuse because, when it purchased patent applications from IDC, it received IDC's covenant not to compete with Meyer in the manufacture or sale of the very machines described in the patent application? The trial court answered this question in the negative.

3. Is Meyer guilty of patent misuse by virtue of having received from IDC covenants to assign improvements to Meyer without further royalties and a first refusal for the licensing or purchase of inventions not covered by the patent application? The trial court answered this question in the negative.

4. If Article XIV of the Agreement constitutes patent



misuse, was that misuse purged when the parties rescinded the covenant by their Agreement of June, 1966? The trial court answered this question in the affirmative.

5. Can Meyer be guilty of misusing the U. S. patent-in-suit because of the manner in which it licensed a Japanese firm to manufacture the invention only in Japan and granted no rights to the Japanese firm to make, use or sell the invention in the United States? The trial court answered this question in the negative.

6. In prosecuting its patent applications and asserting its rights in proceedings in the Patent Office, has Meyer engaged in fraud upon the Patent Office or has Meyer in this litigation been guilty of such unconscionable conduct that would warrant the imposition of attorneys' fees against Meyer in both the misuse and validity and infringement trials? The trial court answered this question in the negative.





## ARGUMENT

### I. THE RECORD SUPPORTS THE TRIAL COURT'S DETERMINATION AS TO THE SCOPE OF THE AGREEMENT OF SEPTEMBER 21, 1959.

#### A. Cross-appellant (SME) Has Failed In Its Fundamental Burden to Show That The Findings Of The Trial Court Have No Support In The Record or Are Clearly Erroneous, And That The Conclusions Of the Trial Court Are Improper.

In spite of the prolixity and redundancy of cross-appellant's brief, cross-appellant has failed to carry its ultimate burden of showing that the findings of fact and conclusions of law of the trial court are not supported by the record and are clearly erroneous. Indeed, the most distinctive characteristic of cross-appellant's argument is its failure to discuss the trial court's findings of fact in any detail and its failure to point to findings which are not supported by evidence in the record or which are arguably clearly erroneous because of the overwhelming evidence introduced by cross-appellant.



"Findings of fact shall not be set aside unless clearly erroneous. . . ." Rule 52(a), Federal Rules of Civil Procedure. This Court has stated on innumerable occasions that "the burden is upon him who attacks a findings [of the District Court], to show that it is clearly wrong." L. A. Shipbuilding & Drydock vs. United States, 289 F.2d 222 (C.A. 9, 1961). Recently in Kamen & Co. v. Aschkar & Co., 382 F.2d 689, 694 (C.A. 9, 1967) this Court said:

"The trial court found the existence of ostensible authority and based liability thereon. The validity of this finding presents the principal issue involved in the instant appeal. Unless the finding is 'clearly erroneous' we are bound by it.\* ' . . . A finding is 'clearly erroneous' when, although there is evidence to support it, the reviewing court on the entire evidence is left with the definite and firm conviction that a mistake has been committed.' U. S. v. U. S. Gypsum Co., 333 U.S. 364, 395, 68 S.Ct. 525, 542, 92 L.Ed. 746 (1948)."

In the case at bar there is ample evidence to support the trial court's findings of fact and ample legal authority to support his conclusions of law. Cross-appellant does not point to an absence of evidence to support the findings. Indeed, cross-appellant utterly ignores much of the evidence in the record. At one point in its argument, cross-appellant relies upon testimony extracted from the deposition of Leo Meyer which is not even a part of the evidence (see cross-appellant's brief at pages 35-37). This reference is significant because when





cross-appellant offered this portion of the Leo Meyer deposition in evidence there was a colloquy between counsel and the Court at which time cross-appellee's counsel advised the Court that because cross-appellant was offering this testimony out of context it would be necessary for cross-appellee's counsel to offer the entire deposition, which cross-appellee's counsel was reluctant to do. (Tr. \*541-542). In response, cross-appellant's counsel withdrew his offer. (Tr. \*542). The deposition testimony of Leo Meyer quoted in cross-appellant's brief at pages 35 through 37 and the deposition testimony of both Leo Meyer and Milton Shapiro, which appellant has abstracted and printed as appendices D and E to its brief are not part of the evidence in this case.

Further, cross-appellant's argument on page 37 of its brief which attempts to characterize Leo Meyer's testimony and suggests that he changed his answers after a recess is wholly without support of the record and, in fact, is false. If the Court of Appeals does decide to consider the deposition testimony of Leo Meyer in spite of the fact that it was not introduced in evidence, Mr. Meyer's testimony must be considered in its full context and it should be noted that the answers that cross-appellant quotes relate to Mr. Meyer's mental impressions in June of 1959 and not to the final form of the Agreement after the definition of bottle inspection machines had been added and refined at Calhoun's insistence, thereby clearly limiting the scope and coverage of Article XIV.





B. A Complete and Objective Reading of the  
Meyer-IDC Agreements of September 21, 1959,  
Sustains the Trial Court's Findings of Fact  
12 Through 15, and Conclusions of Law 4  
Through 7.

Cross-appellant contends in its brief, as it did at the trial (Tr. \*328), that the Agreement of September 21, 1959, is understandable and may be interpreted "from its four corners without regard to extraneous evidence." (Cross-appellant's Brief, p. 29) This is, of course, what the trial court did. Finding of Fact 12 and 13, R. 1823, and Conclusion of Law 4, R. 1832.

This is the third time that cross-appellant has argued without success that the plain meaning of Article XIV of the Agreement and Paragraph 4 of the Consultant Agreement is that IDC, Calhoun and Browning are restrained from manufacturing and selling any machine that inspects bottles for twenty-two years. The argument was first presented to Judge Hill by cross-appellant's motion for summary judgment, which was denied (R. 634,834 ). The argument was then presented to Judge Gray at trial and in the middle of the trial Judge Gray dismissed the argument and ruled from the bench that Article XIV encompassed only the bottle inspection machine defined in the "Whereas" clause, viz., the machine described in the two patent applications which are the subject of the September, 1959 Agreements. (Tr. \*330, et seq.) If the meaning ascribed to Article XIV is as plain as cross-appellant contends, cross-appellant has had a singular lack of success in



conveying that meaning to anyone else.

A close examination of the Agreements between IDC and Meyer, and between Meyer, Calhoun and Browning, which agreements are dated September 21, 1959 (Exhibits 8 and 9) discloses that they are directed to spelling out the rights and obligations that arise from the transfer of the invention described in two patent applications. In the first "Whereas" clause of the general agreement, bottle inspection machine is defined. That this clause is intended to be a definition is clear from the fact that quotations are put around the words "bottle inspection machine" and the words "... hereinafter called a " precede the words "bottle inspection machine." That this is intended to be a definition which carries through the Agreements appears from Paragraph 4 of the Consultant Agreement which refers to "bottle inspection machines as defined in the agreement between Meyer and Industrial." [Emphasis added]. Likewise, in Article IV. A. of the general Agreement Meyer grants Industrial the right to continue the manufacture, sale and servicing of "bottle inspecting machines forming the subject matter of this Agreement. . . ." [Emphasis added]. This provision also makes it clear that the parties intended that "bottle inspecting machines" was to have the same meaning as "bottle inspection machines" as defined in the "Whereas" clause. These words, "Inspection" and "Inspecting" are used interchangeably throughout the Agreement. While this might be said to be untidy draftsmanship it certainly does not change the basic meaning and effect of the various provisions of the Agreements.

The broad meaning of "bottle inspection machines" contended for by cross-appellant is not consistent with the use of





the phrase "electronic applications for the packaging industry" in Article VIII. C. to describe electronic devices other than "bottle inspection machine[s] . . . for which invention two applications for Letters Patent have been filed . . . ," which may also, incidentally, inspect bottles for various purposes.

In his decision from the bench (Tr. \*330) Judge Gray discussed all of these matters and stated that "the whole agreement is directed to talking about the bottle inspection or inspecting machines that are wrapped up in these two serial numbers." (Tr. \*330). There is, we submit, ample evidence to support Judge Gray's findings and conclusions respecting the meaning and construction to be given to the contracts.

Beyond that, however, it is clear from the record why the draftsmanship was not more artful and the Agreements were not carefully edited before they were signed. As Calhoun said, they were prepared by a committee. (Tr. \*279). The modification of the "Whereas" clause at Calhoun's insistence was one of the last revisions made before the general Agreement was executed. See: Pre-trial Order No. 2, Par. 23, R. 1694, et seq. It was not thereafter carefully edited.

Cross-appellant argues that the definition contained in the "Whereas" clause is not intended to define or limit the scope of Article XIV. If cross-appellant's contention is correct, Article XIV has a meaning quite different from the covenant not to compete given by Calhoun and Browning in the Consultant Agreement, Paragraph 4. This covenant not to compete is clearly limited to inspection machines "as defined in the agreement between Meyer and Industrial." This inconsistency would make no





sense. Furthermore, the logical conclusion to be drawn from cross-appellant's argument is that Article XIV would prohibit Calhoun from manufacturing or selling any machine that inspects bottles. This would, of course, encompass machines that inspect bottles for their size, the presence or absence of chips in their crowns, the presence or absence of labels or crowns, as well as inspection for the presence of foreign particles. There is no evidence within the four corners of the Agreements or in the record that such a broad construction was intended by anyone.

Cross-appellant argues that Judge Gray's interpretation "is strained and erroneous" and that "it falls short of reality". (Cross-appellant's Brief at page 31). To support this argument cross-appellant then picks Article XIV apart, suggesting first that great importance should be placed upon the distinction between the words "inspection" and "inspecting" even though from the face of the Agreement it is quite clear that the committee that drafted it made no distinction between these words. Cross-appellant then suggests that its arbitrary definition of bottle inspection machine is much more workable than the definition tied to the patent applications. It is hard to imagine a better way of defining an invention which is the subject of a sale than to tie it to the description of the invention contained in patent applications. We submit cross-appellant's argument at page 32 of its brief is itself "strained".

Cross-appellant then places great reliance upon the words "will not enter into competition with Meyer" pointing out that Article V. B. of the Agreement provides that "after commencing the manufacture of the bottle inspecting machine Meyer



will have the sole right to make such machines and also the sole right to sell such machines. . . ." The purpose and meaning of these clauses and their inter-relationship is quite clear on the face of the Agreement. Article V. A. contemplated that Meyer might not assume the responsibility of manufacturing the bottle inspecting machines in the first six months following the signing of the Agreement. During this period IDC could have manufactured and sold bottle inspecting machines without being in "competition with Meyer" and therefore without breaching Article XIV. When, however, Meyer undertook the manufacture of the bottle inspecting machines as provided in Article V. B. it had the sole right to make such machines, at which point Article XIV became operative and precluded Industrial's competition with Meyer in such manufacture and sale.

Cross-appellant places great stress on the fact that Article XIV is to endure "during the life of this agreement" and insists that this must mean twenty-two years. Cross-appellant's argument ignores the fact that the Agreement might be terminated by Meyer any time after two years pursuant to Article X, or might automatically terminate, pursuant to Article XIII, if patents did not issue. It made more sense to tie the pendency of Article XIV to the life of the Agreement than to the period prior to the issuance of patents. When patents did issue, Article XIV became surplusage because Meyer, as patentee, could prevent Industrial from making and selling the bottle inspection machines and did not have to rely on Article XIV.





Perhaps the Agreement could have been edited more carefully or drafted more artistically, but contrary to cross-appellant's brief, the trial court had no difficulty with its plain meaning. (Appellant's Brief at page 35). Finally, cross-appellant relies upon the deposition testimony of Geo. L. N. Meyer, Sr. (referred to as Leo Meyer throughout the briefs) at pages 35-37 of its brief. We have already pointed out that this testimony is not part of the evidence in this case and is taken out of context. Mr. Meyer's answer at the top of page 36 of cross-appellant's brief supports our argument. Nonetheless, these questions and answers refer to Mr. Meyer's mental impressions in June of 1959 at the time when he first considered the wisdom of some type of non-competitive clause and, as the balance of his deposition discloses, do not reflect his interpretation of the non-competitive clause that finally evolved and is contained in the Agreements.

We agree with cross-appellant and with Judge Gray that the meaning of Article XIV and the other provisions of the Agreements of September 21, 1959, is plain and does not require testimony to explain ambiguities. We disagree with cross-appellant, however, respecting that meaning and submit that Judge Gray's decision from the bench (Tr. \*330, et seq.) and findings of fact and conclusions of law in this respect are amply supported in the record.





C. The Testimony of the Negotiator for IDC,  
Calhoun, Respecting The Meaning and Purpose  
of the September 21, 1959 Agreements Supports  
and Corroborates the Trial Court's Findings  
and Conclusions.

We have reviewed (at pages 2-8 of this brief) the sequence of negotiations and modifications that were made in the drafts of these Agreements prior to their execution. In these negotiations IDC was represented by Calhoun. Calhoun was the person who insisted that the "Whereas" clause specifically define the subject matter of the Agreement and the subject matter of Article XIV, as well as Paragraph 4 of the Consultant Agreement. He, after all, was the person who, on behalf of himself and IDC, gave the covenants in question. His testimony respecting their meaning and scope should control if any testimony is required to construe the contracts. His testimony at Tr. \*451-452 which is quoted in our statement of facts at pages 6-8 above, clearly and unequivocally supports the trial court's findings and conclusions. There is no contrary testimony by any party to the negotiations in the evidence that was introduced at the misuse trial.



II. THE TRIAL COURT'S FINDINGS OF NO PATENT MISUSE ARE CORRECT.

A. The Essential Elements of A Patent Misuse Claim are Absent in this Case.

In every leading patent misuse case the courts have stressed the element of using the patent in a fashion which contravenes public policy. See, e.g., Morton Salt Co. v. G. S. Suppiger Co., 314 U.S. 488, 490-494 (1942), where Justice Stone noted "that respondent is making use of its patent monopoly to restrain competition . . ." Id. at 491. "It is a principle of general application that courts, and especially courts of equity, may appropriately withhold their aid where the plaintiff is using the right asserted contrary to the public interest." Id. at 492. [Emphasis added]. Later on in the opinion, Justice Stone states that the patentee may not claim protection by the courts "where it is being used to subvert that policy." Id. at 494. [Emphasis added]. See also: Transparent-Wrap Machine Corp. v. Stokes & Smith Co., 329 U.S. 637, 640, 644 (1947); Mercoird Corporation v. Mid-Continent Investment Co., 320 U.S. 661, 666 (1944); Carbice Corp. v. American Patents Dev. Corp., 283 U.S. 27 (1931); National Lockwasher Co. v. George K. Garrett Co., Inc., 137 F.2d 255, 256 (3rd Cir. 1943); and Touchett v. E Z Paints Corp., 150 F.Supp. 384 388-389 (E.D. Wis. 1957).

Here, the patent-in-suit was not even in existence at the time of the Meyer-IDC Agreement and the Consultant Agreement. In any event, Meyer was not at that time the owner of the patent





application which preceded the patent and, accordingly, could not have used the patent or patent application to subvert any public policy. Meyer was one of three companies attempting to buy the patent application and had no power or leverage over the vendor. Meyer has not licensed the patent-in-suit and, accordingly, cannot be charged with misusing the patent by improper licensing. There is no claim or evidence that Meyer has misused the patent in any sales distribution agreements. All other considerations aside, the absence of this essential element of a patent misuse charge destroys plaintiff's patent misuse defense.

B. There is No Legal Precedent for Holding That Article XIV of the September 21, 1959 Agreement or Paragraph 4 of the Consultant Agreement Constitutes Patent Misuse.

At pages 38-50 of its brief, cross-appellant argues, on several grounds, that the covenants not to compete given to Meyer by IDC and by Calhoun and Browning constitute patent misuse. The first ground is that the trial court was erroneous in its determination that said covenants were ancillary to Meyer's purchase of IDC's principal asset and that the covenants were reasonable in scope. However, cross-appellant fails to cite any authority for its contention.

Covenants not to compete given in connection with the sale of an asset, if reasonably designed to protect the value of the asset purchased, are generally recognized by courts in this country to be reasonable and legal restraints upon trade. See,





e.g., United States v. Addyston Pipe & Steel Co., 85 Fed. 271, 281, aff'd. 175 U.S. 211 (1899); Orbo Theatre Corp. v. Loew's, 156 F.Supp. 770, 777 (D. C. 1957); Fullerton Lumber Company v. Torborg, 270 Wis. 133, 70 N.W. 585 (1955); 45 A.L.R.2d 77; 46 A.L.R.2d 119; Business and Professional Code, §16601-16602 (Cal. Stats., 1941, Chap. 526, §1, page 1834).

In A. B. Dick Co. v. Fuller, 213 Fed. 98 (S.D.N.Y. 1914), the court states:

"... As I read the case it is not always illegal for one for a consideration to exclude himself for a time from making, using, or selling material or processes of a class of character of a particular kind. For example, where the purchaser of a thing to protect himself from the destruction of the thing bought agrees with the seller that he shall not use any new invention of his for producing a product which will in effect destroy the value of the property purchased, there is no restraint which will invalidate the contract. [Cites] Nor is it illegal restraint where the restraint imposed is not larger than is requisite for the necessary protection of the party with whom the contract is made. Oregon Steam Navigation Co. v. Winsor, 20 Wall, 64, 22 L.Ed. 315" (213 Fed. 98 at 101).

As pointed out above, the instant covenants not to compete are reasonable because, first, they are limited to the very product being sold. Second, they are limited as a practical matter to the period prior to issuance of the patent, which would be at most a period of two to five years. It is clear that the covenant was not intended to last longer because the patent



itself, once it was issued, would thereafter preclude the vendor from manufacturing the device and the covenant would be of no further use. Nordhaus & Jurow, Patent Antitrust Law, §112(1961). Finally, the territorial limitation is reasonable. Since the market for this product is nation-wide or world-wide, there was no need for an explicit territorial limitation in the covenants.

If the Court should be concerned about the reasonableness of any of the above limitations, there still would be no patent misuse because it is clear that, under both federal law and the laws of California and Wisconsin, the covenant would be enforced only to the extent necessary to protect the value of the business or asset sold. See, e.g., Oregon Steam Navigation Co. v. Winsor, 87 U.S. 64 (1873); Hill v. Central West Public Service Co., 37 F.2d 451 (5th Cir. 1930); Mahlstedt v. Fugit, 79 Cal.App. 2d 562, 180 P.2d 777 (2d Div. 1947); Edwards v. Mullin, 220 Cal. 379, 30 P.2d 997 (1934); and Fullerton Lumber Co. v. Torborg, 270 Wis. 133, 145-147, 70 N.W. 2d 585 (1955). The only case cited by cross-appellant, Summerhays v. Scheu, 52 P.2d 512 (Cal.App. 1935), is not in point. In that case there was only an oral agreement not to compete by the seller which was held to be barred by the statute of frauds. In addition, the restriction, which was not restricted in time or area, was held to be unreasonable in scope. Cross-appellant does not attack the reasonableness of the restriction in the present case but rather argues the question of reasonableness should not even be considered.

Cross-appellant's second ground (pages 43-50 of its brief) apparently is that use of any covenant not to compete constitutes patent misuse. However, the cases cited by cross-





appellant fail to support such a proposition. First, they involved patents rather than patent applications; second, they involved licensing agreements or distributorship contracts rather than an outright sale of a patent; third, they primarily involved restrictions imposed by the licensor of the patent as a condition of using his patent rather than by the license; and finally, the restrictions involved products other than those covered by the patent rather than the very product covered by the patent applications.

In only two cases have restraints upon the licensor even been considered. In McCullough v. Kammerer Corp., 166 F.2d 759 (9th Cir. 1948) the court condemned covenants which precluded both the licensee and the licensor from using equipment which competed with the patented equipment. But in that case the licensor used its monopoly power to impose the restriction on the licensee and then placed a similar restriction on itself as part of its plan to extend its lawful monopoly. It seems clear that the restriction upon the licensee was the principal cause of the finding of patent misuse. The court notes at page 760:

" . . . The licensor to procure such extension of the monopoly area of its patent also binds itself to extend the area of the monopoly by a similar restrictive agreement."

The court gave no hint that, if the licensor's covenant had stood alone, there would have been finding of patent misuse.

Touchett v. E Z PAINTER CORP., 150 F.Supp. 384 (E.D. Wis. 1957), although it technically involved a covenant not to compete by a licensor of a patent, is unique in that the patent





was transferred from the corporation which owned it to an individual. The individual, in the same transaction, licensed the patent back to the corporation and covenanted not to compete with the patented products. On its face the case is clearly distinguishable from the case at bar because the corporation, though technically called the "licensee" was, in fact, the real owner of the patent. The agreement was simply an involved attempt to justify the restrictions by making it appear that the individual was the licensor. Therefore, the holding of the court does not support the plaintiff's argument that a covenant not to compete by a licensor constitutes patent misuse. After a complete consideration of the patent misuse doctrine, the court concluded that it was the

"[corporation] rather than the [individual] who actively used the patents to stifle competition and that [the individual] was at most a passive party to that misuse of patents . . . therefore . . . the court believes that as an equitable proposition, the doctrine should not be applied in favor of the [corporation] and against the [individual] in these cases."

It is interesting to note that the opinion makes particular emphasis of the fact that patent misuse "is based upon the use of the patent for the purpose of unlawfully extending the monopoly." 150 F.Supp. at 388.

In short, cross-appellant's authorities are not in point because they involved the use of patents in a fashion designed to contravene public policy. See: Morton Salt Co. v. G. S. Suppiger Co., 314 U.S. 488, 490-494 (1942). In the case



at bar, Meyer did not own the patent applications. It purchased them from the inventors who, without some contractual restriction would have been free to manufacture the machine covered by the applications until the patents were issued--a period of perhaps as long as five years! It makes no sense to say, as cross-appellant must, that Meyer, who was bargaining to purchase the applications, used its power under those applications to limit IDC's future competitive activities. Meyer just simply could not have misused any power granted by the patent laws because any such power was held by IDC, not by Meyer.

Even if the covenants not to compete once constituted patent misuse, they do not at this time constitute a defense to Meyer's counterclaim for infringement.

A patentee may purge himself of patent misuse and thereby remove any bar to an infringement action. Preformed Line Products Co. v. Fanner Mfg. Co., 328 F.2d 265 (6th Cir. 1964); Zajicek v. Koolvent Metal Awning Corp. of America, 283 F.2d 127 (9th Cir. 1960); Waco-Porter Corporation v. Tubular Structures Corp. of America, 222 F.Supp. 332, 335 (S.D. Cal. 1963); Nordhaus & Jurow, Patent-Antitrust Law, §45, p. 121 (1961).

Paragraph 4 of the Consultant Agreement expired by its own terms on September 22, 1964. If it ever constituted patent misuse, there is no evidence that it has any effect any longer or should in any way bar defendant's counterclaim for infringement.

Article XIV of the Meyer-IDC Agreement was ineffective after the patents were issued because the patents then precluded manufacturing the machine covered by the patents. However, to





be sure there was no misunderstanding , (Tr. \*447), on June 23, 1966, Meyer and IDC entered into an agreement which rescinded Article XIV. (Exhibit B). The Agreement of June 23, 1966 recites that after the patents issued, Meyer's rights as a patentee were at least as great as the rights afforded to it by Article XIV; that the Article having no further legal effect, the parties rescind it and declare it null and void. This Agreement of June 23, 1966 simply recognizes what the principals of Meyer and IDC understood were the purposes and legal effect of Article XIV, namely to preclude IDC from manufacturing and selling the machine which it sold to Meyer during the period prior to the issuance of the patents.

Contrary to cross-appellant's allegation at pages 63-64 of its brief, the covenants not to compete did not in any way limit competition with Meyer. Cross-appellant makes no attempt to show that the trial court's findings in this regard were erroneous. It simply asserts that the covenants not to compete somehow magically enabled Meyer to "obtain market dominance". Such an assertion is contrary to all of the evidence in this case. The only possible effect of such covenants would have been on Calhoun and Browning, on IDC or possibly on Wyman and Williams. It will be shown below that there was no significant effect on any of those parties.

Calhoun and Browning have continued to invent new devices, including several for inspection of bottles, none of the patents on which have been sold or licensed to Meyer. (Tr. 464-68; Finding #21). It is hard to imagine any lesser impact on competition.





Similarly, the covenants had no effect on competition with IDC because IDC would not have remained a viable competitor in any event. Its shareholders intended, prior to execution of the agreement, that it would become dormant after selling its only substantial asset. (Tr. 343, 352-54).

Finally, Wyman and Williams were not restricted from competing with Meyer because they never signed any agreement not to compete. (The fact that only one of the three inventors did sign such an agreement indicates Meyer did not wield much power in the negotiations). The only restrictions on Wyman and Williams were that they could not infringe somebody else's valid patents, which is, of course, no greater restriction than that placed on everyone by our laws.

C. The Trial Court's Conclusion That The Assignment by IDC and Calhoun and Browning of Improvements on the Basic Patents to Meyer Was Not Misuse Is Correct.

Cross-appellant claims that Meyer misused the patent when it purchased, in addition to the basic patent itself, the rights to any improvements the vendor might develop during the period when the patent application was pending and during the life of the patent. Such a claim is based on a total misunderstanding of the doctrine of patent misuse. The doctrine does not preclude and never has precluded the purchase or sale of a patent and any future improvements on that patent.



In support of its contention, plaintiff cites only one case, and that involved a "grant back" clause, i.e., a covenant promising to license to the licensor any improvements to the basic patent which the licensee may develop and patent. Plaintiff then attempts to analogize this "grant back" case to the present fact situation for which it coins the term "grant forward". The "grant back" is not relevant here because "grant back" clauses differ so substantially from "grant forward" clauses. The curious thing is that, even if this case came within the scope of the "grant back" case plaintiff cites, that case does not support plaintiff's argument that "grant back" agreements constitute patent misuse. In Transparent-Wrap Machine Corp. v. Stokes & Smith Co., 329 U.S. 637 (1947), the patent owner had granted an exclusive license to manufacture and sell the product in North America. The licensee in return agreed to give the owner an exclusive, royalty-free license on any improvements the licensee might develop. The court held that such agreements were enforceable unless used to gain control of an entire industry:

"An improvement patent, like the basic patent to which it relates, is a legalized monopoly for a limited period. The law permits both to be bought and sold. One who uses one patent to acquire another is not extending his patent monopoly to articles governed by the general law and as respects which neither monopolies nor restraints of trade sanctioned. He is indeed using one legalized monopoly to acquire another legalized monopoly.

. . .





"The difficulty is that Congress has not made illegal the acquisition of improvement patents by the owner of a basic patent. The assignment of patents is indeed sanctioned.

. . .

"It is, of course, true that the monopoly which the licensor obtains when he acquires the improvement patents extends beyond the term of his basic patent. But as we have said, that is not creating by agreement a monopoly which the law otherwise would not sanction. The grant of the improvement patent itself creates the monopoly."

329 U.S. 637 at 644-46.

Plaintiff fails to cite, and in fact is unable to cite, a single case holding that it is patent misuse to "grant forward" i.e., to sell any patent improvements developed by the inventor of the basic product, and fails to discuss two cases which specifically recognized the validity of such clauses. In Independent Electric Co. v. Jeffery Mfg. Co., 76 Fed. 981 (Ohio, 1896), the court construed a contract selling a patent and any improvements thereon. The vendor had developed a new invention to which plaintiff claimed title. The court held that the invention was not an improvement on the basic patent and that the contract had transferred only the right to improvements, not to all inventions of every type ever made by the vendor. The court implied that such a broad contract might be unenforceable but specifically recognized the validity of the more limited contract. Also, in Littlefield v. Perry, 88 U.S. 205, 21 Wall. 226 (1874), the defendant had granted to plaintiff a patent on one invention, an





application for a patent on another and any future patented improvements on either invention. Defendant later patented another invention. The court held that it was an improvement on the basic invention and, therefore, that plaintiff was entitled to it.

The assignment of improvements was in fact in the best interest of IDC and Calhoun. Calhoun testified that any improvement was of no value to him because he could not use it or sell it but that it was of benefit to him to assign it to Meyer so that the product would remain competitive and maximize his royalties. (Tr. 453-54).

D. The Trial Court's Conclusion That the Granting to Meyer of an Option of First Refusal on the Sale or Licensing of Future Electronic Inventions in Packaging Did not Constitute Misuse is Correct.

Cross-appellant fails to cite, and our research has not disclosed, any case holding a first refusal clause to be patent misuse. Such a right does not in any way inhibit research since it means that defendant can purchase the patent only if it is willing to match the highest offer made to the inventor by third parties. In fact such a right assured the inventor that one potential buyer will at least look at anything he develops. Therefore, a first refusal clause may well encourage future research. IDC was not in any way forced to license any future patents; it was free to manufacture and sell any new inventions



it might develop. (Tr. 467-71). Nor was it forced to offer the license only to Meyer. The clause in no way eliminated IDC as a competitor of Meyer or reduced its power to compete.

E. The Trial Court's Findings Respecting Meyer's Contract with Mitsubishi Has Ample Support in the Record and the Conclusion that the Mitsubishi Contract Could Not Constitute Misuse of the U.S. Patent-in-Suit is Manifestly Correct.

Cross-appellant makes no direct attack on the trial court's findings as to the Mitsubishi agreement but, since there are implications that the trial court erred, we will discuss that agreement briefly. The original agreement with Mitsubishi was executed on October 31, 1958, before Meyer had even acquired the patent in question here. On December 17, 1962, Meyer and Mitsubishi entered into a supplemental agreement covering the bottle inspector which Meyer had, by that time, acquired from IDC. The legal effect of these agreements is that Meyer licensed Mitsubishi under Japanese patents and agreed to impart to Mitsubishi confidential information and technical know-how.

This agreement is irrelevant to a defense of misuse of Meyer's U. S. patents because the misuse must be of the patent rights which the patentee is seeking to enforce in that particular action. Eversharp, Inc. v. Fisher Pen Co., Inc., 204 F. Supp. 649, 674 (N.D. Ill. 1961) and cases cited therein.





Similarly, in Sperry Products, Inc. v. Aluminum Company of America, 171 F.Supp. 901 (N.D. Ohio, 1959), aff'd. 285 F.2d 911 (6th Cir. 1960), the court rejected a claim that certain provisions in a foreign licensing agreement constituted misuse of a U. S. patent:

"All of Sperry's foreign licenses where granted under its foreign patents. Hence there was no use, and consequently no misuse, of the United States patents in suit in connection with Sperry's foreign licensing policy. Defendants recognize that the defense of misuse is available only where there has been a misuse of the patents in suit. However, they attempt to relate Sperry's United States patents to its foreign licensing policy. Defendants advance the argument that Sperry's rights under the patents in suit were expanded by its foreign patents covering the same inventions and that Sperry used its foreign patents to expand its rights under its United States patents 'beyond anything contemplated by law.' The implication of such argument seems to be that the patents in suit as expanded by the foreign patents covering the same inventions were misused by Sperry in connection with its foreign licensing policy. The argument is unsound. Foreign patents create rights separate and distinct from those created by patents issued in the United States. Foreign patents covering the same inventions as United States patents can neither restrict nor enlarge the rights acquired under patents issued by the United States Government. An excellent statement of the applicable principles is found in the Report of the





Attorney General's Committee on Antitrust Laws (1955) where it is said (p. 96):

"We point out, however, that a patent is a grant from the sovereign and therefore has no force beyond that sovereign's territorial limits. Thus, a United States patent creates rights coextensive only with United States laws. Similarly, a British patent, covering the same invention as an American patent, is governed by British law co-extensive with British territory. This means that patent rights in the same invention may differ in scope and effect in the respective territorial limits of the country of issuance.'

"The doctrine of misuse rests upon the principle that the holder of an exclusive privilege granted in the furtherance of public policy may not claim protection of his grant by the courts where it is being used to subvert that policy. Morton Salt Co. v. G. S. Suppiger Co., 314 U.S. 488, 494, 62 S.Ct. 402, 86 L.Ed. 363. Sperry seeks no protection of the patents granted by foreign countries and it is not shown that the patents in suit were used to subvert the public policy of the United States as expressed in the Constitution and patent laws." 171 F.Supp. 901 at 940.



III. THERE IS NO BASIS IN THE RECORD OR IN THE  
LEGAL PRECEDENTS FOR DISTURBING THE TRIAL  
COURT'S RULINGS ON LEGAL FEES AND COSTS.

A. The Awarding of Attorneys Fees in Patent  
Cases is Discretionary with the District  
Court and the Exercise of Such Discretion  
is Limited to Exceptional Cases.

Cross-appellant is correct in stating that it is well settled that the awarding of attorneys' fees in patent cases is discretionary with the Trial Court; and further, that the exercise of that discretion may not be overturned by an appellate court "except where there is an abuse of discretion amounting to caprice or an erroneous conception of law on the part of the trial judge.", quoting from Dubil v. Rayford Camp & Co., 184 F.2d 899 (C.A. 9, 1950).

The commission of this discretion to the Trial Court is statutorily expressed in 35 U.S.C. §285, as follows:

"The court in exceptional cases may award reasonable attorneys' fees to the prevailing party."

This Court, on several occasions, has construed the term "exceptional" as it thus appears in the statute. Thus, in Kemart Corp. v. Printing Arts Research Laboratories, 269 F.2d 375 (C.A. 9, 1959), it was stated at page 394:



"Judge Hastie, writing for this court in Park-in-Theatres v. Perkins, supra, indicates that it is incumbent upon the trial court to apply a 'strict standard in finding cause adequate to justify an allowance of attorney's fees.'" He states 190 F.2d at page 142:

"'The exercise of discretion in favor of such an allowance should be bottomed upon a finding of unfairness or bad faith in the conduct of the losing party, or some other equitable consideration of similar force, which makes it grossly unjust that the winner of the particular lawsuit be left to bear the burden of his own counsel fees which prevailing litigants normally bear.'

"In its opinion, the trial court held that the appellee acted in a reasonable manner before, during and after the trial of the infringement issue. [See 146 F.Supp. 21, 24.] We find no reason to disagree with the conclusion of the trial judge and the finding in accord with it. \*\*\*\* Nor do we feel that the representations concerning the state of the prior art which were made by appellee at the trial of the infringement issue, were such as to give rise to the 'unfairness or bad faith in the conduct of the losing party' or the 'other equitable consideration of similar force' necessary to bring the present case within the 'exceptional cases' included in the statute. We conclude that the trial court exercised his discretion properly."





More recently, in Florida Brace Corp. et al v. Bartels et al, 332 F.2d 337, (C.A. 9, 1964), this Court reversed an award by the District Court of attorneys' fees against an unsuccessful patentee plaintiff in an opinion by Judge Barnes in which it was stated at pp. 338-339 and 340:

"The original language of the predecessor statute (35 U.S.C. § 70) reads:

"' The court may in its discretion award reasonable attorney's fees to the prevailing party upon the entry of judgment on any patent case.'

"On July 19, 1952, this language was changed to the following:

"'The court in exceptional cases may award reasonable attorney fees to the prevailing party.' (Emphasis added).

"The 'Revised Note' states:

"'[I]n exceptional cases' has been added as expressing the intention of the present statute as shown by its legislative history and as interpreted by the courts.'

"This change in language certainly did not enlarge the judicial discretion of the trial judge; neither did it take any portion away. The emphasis on the exception case seems to refer to a general requirement disclosed by the adjudicated cases that some wilfulness must exist on the part of the losing party before attorney's fees are to be awarded. \*\*\*(citations)"



"A reading of the Findings XVI and XXI referred to above upon which the finding of bad faith and the subsequent award of attorneys' fees rests, indicates the appellants and their counsel were doing only what almost everyone to whom a patent has been issued by the United States Patent Office has been doing for years. This they have done, aided and abetted and encouraged by, and under the advice of, the patent bar. What plaintiffs here did was to test the validity of their presumptively valid patent (a) by litigation which charges infringement in a certain accused device; (b) which attempted to bolster plaintiffs' position patentwise by charging 'unfair competition'; (c) by refusing to license the manufacturer of the accused device; (d) by taking depositions in support of a phase of a case which was later abandoned, after the completion of plaintiffs' case; (e) even though they were perhaps beset with 'doubts' or 'suspicions' as to the validity of their own patent; (f) nevertheless suing a corporate defendant and an individual who might not have had exactly the same financial standing as the plaintiff ; (g) and in so doing, 'multiplying the expense.'

"No one or all of these acts on the part of appellants or their counsel in our opinion justify the finding of bad faith and wilful infringement in the filing and prosecution of the suit on the record before us. Appellants thought that they had a good patent. They were proved wrong, but such proof does not establish a lack of good faith."





B. The District Judge Did Not Abuse His Discretion or Misconceive the Law in Deciding that This was not an Extraordinary Case Calling for the Award of Attorneys' Fees to Appellant.

The only "exceptional" aspect of the present case is the fantastically imaginative series of contentions advanced by cross-appellant in pages 73-97 of its brief as to why the conduct of cross-appellee Meyer has been so heinous that this Court should be moved to the degree required to reverse the District Judge's declination in his discretion to award attorneys' fees. Of necessity, however, cross-appellee must answer each of cross-appellant's specious charges of inequitable conduct on the part of cross-appellee. In the following pages of this brief cross-appellee proposes to demonstrate that its conduct, considered item by item, or collectively, has not been such as to require this Court to reverse the District Court's disallowance of attorneys' fees.

1. Alleged Failure to Bring to the Attention of the Patent Office the Best Known Prior Art.

British Stocate '229 patent (Exh. 44). This was a catch-all patent for which Mr. Stocate applied in 1938 (Tr. 1944-1945, 2075). It may be argued that reading one obscure figure (Fig. 7) of this patent in conjunction with the teaching of another earlier Stocate patent, No. 469,458, a centered optical





system is taught (See: Stoate testimony, Tr. 2035-2043). The District Court so found (Finding No. 15(a), R. 1944), but it also found that that Stoate patent did not disclose or contemplate the concept of spatial filtering, etc. (Finding No. 11(d), R. 1942-3). In any event, the Stoate patent in question came to the attention of Meyer's Milwaukee patent attorneys who were in charge of prosecuting the British patent application, while the U. S. applications, which resulted in the patent-in-suit, were being prosecuted by IDC's attorneys who continued after the purchase by Meyer of the IDC developments by the September 21, 1959 Agreement (Exhibit 8, P.T.O.-R. 1690), to prosecute the applications for Meyer (P.T.O., R. 1699). From all the evidence, including file wrappers, arguments concerning what Stoate '229 actually taught as explained by Calhoun and Stoate in their testimony, the District Court could properly have found, as it did:

"However, the defendant's attorneys were not convinced at that time that such references actually disclosed a centered optical system, and the defendant did not practice any fraud by any failure on its part to call the Stoate '229 patent to the attention of the Patent Office."  
(Finding No. 15(a), R. 1945).

Cross-appellant attacks this finding of fact on pages 75-77 of its brief; cross-appellant contends that there was no evidence before the Trial Court even tending to prove that Meyer's attorneys were not convinced of the true disclosure of the '229 patent. Cross-appellant complains that the Trial Court "placed unwarranted weight on the representation of one of Meyer's



attorneys made in (court) and not as a witness' testimony, to that effect." In advancing its arguments on this score, cross-appellant appears to be overlooking the fact that it, and not cross-appellee, had the burden of establishing the defense of misuse or fraud on the Patent Office.

See: Armour & Co. v. Wilson & Co.,

274 F.2d 143, 148 (C.A. 7, 1960);

National Dairy Prods. Corp. v. The Borden Co.,  
et al, 261 F.Supp. 771, 782 (E.D.Wis. 1966)

Thus, it was up to cross-appellant to prove that Meyer's attorneys were convinced of such alleged '229 Stoate patent disclosure. Cross-appellant failed completely to assume this burden of proof. If it wanted testimony on the subject of knowledge of Stoate '229 and whether it was withheld from the Patent Office, cross-appellant should have either taken the depositions of Mr. Roston and other Meyer attorneys, or put them on as witnesses at the trial. Having failed to do this or otherwise to assume the burden of proof on this issue, cross-appellant may not now be heard to complain that there was no testimony introduced to support the negative of the proposition which it had the burden of establishing.

There was certainly no testimony of record to the effect that Meyer's Milwaukee patent attorneys knew what the '229 Stoate patent taught concerning a centered optical system or that its Los Angeles patent attorneys even knew of the existence of that Stoate patent at the time they were arguing with the United States.





Patent Examiner that the cited art did not teach the same. Nor does cross-appellant explain why, if the Stoate patent was so pertinent, it was not cited by the United States Patent Examiner who presumably knew the prior art and did cite other Stoate patents against the United States applications which resulted in the patent-in-suit (Exhs. 41, 42, Tr. 2060-2061).

In any event, cross-appellant makes no showing as to why the patent-in-suit would not have issued even though the Patent Office had had Stoate '229 called to its attention. Perhaps instead of arguing about the prior art's not disclosing a "centered optical system", Meyer's attorneys would have pointed out to the Patent Examiner that Stoate '229 does not, as the District Court found, teach spatial filtering since, as Stoate himself admitted, his was merely a direct current detection system (Tr. 2031, 2042).

What cross-appellant would like to see done is to penalize Meyer for anything which it considers misjudgment as to the pertinency of any prior art patents. In this connection it has been held specifically in the National Dairy Products Corp. case, supra, that fraud on the Patent Office is not proved by proving an error in judgment as to the pertinency of any prior art. Moreover, the type of fraud which either invalidates a patent or renders it unenforceable under the principle of the Precision Instrument Mfg. Co. v. Automotive Maintenance Machinery Co., case (324 U.S. 806) cited by cross-appellant, or which might bring the case within the "exceptional" category of §285 of 35 U.S.C., and thus authorize a District Court to award attorneys' fees against





the unsuccessful patentee, is not proved by any or all of the types of conduct on the part of Meyer which are described in cross-appellant's brief.

On pages 69-77 of its brief, cross-appellant cites a number of decisions by the courts in support of various propositions from which it is at least inferentially contended that Meyer's conduct specified by cross-appellant is so wrongful that Meyer should be held to have practiced a fraud upon the Patent Office.

While there is no denying the principle that if fraud is practiced upon the Patent Office in the procurement of a patent, the patent may be invalidated, and, in exceptional cases, attorneys' fees awarded the party charged with infringement of the patent so procured, the courts have been most restrained in concluding that conduct on the part of a patentee constitutes fraud of that character.

Thus, in Duff-Norton Co. v. Ratcliff, 362 F.2d 551 (C.A. 9, 1966), this Court concluded at p. 553:

"In our judgment the prior art which the inventor is accused of failing to reveal is not so undisputably and obviously relevant as to disclose actual knowledge that the subject of the proposed patent was anticipated. In our view the test proposed by Admiral does not apply under these circumstances."

In Admiral Corp. v. Zenith Radio Corp., 296 F.2d 708 (C.A. 10, 1961), the Court of Appeals for the Tenth Circuit, at



pp. 716-717 stated the type of withholding of information which might invalidate a patent, as follows:

"This is not a case of a prior public use of which the Patent Office had no means of gaining information except through the applicant. Here the alleged non-disclosure relates to a significantly different prior patent. If an applicant knows of prior art which plainly describes his claimed invention or comes so close that a reasonable man would say that the invention was not original but had been anticipated, he will not be excused for failure to disclose his knowledge. This case falls outside of that rule. The record sustains the findings of the trial court that the Zenith solicitors acted in good faith and were under no professional obligation or moral duty to call the Andrews patent to the attention of the Patent Office while the application which resulted in 025 was pending."

Nor was patent-invalidating fraud found in the following other cases cited by cross-appellant:

United States v. Standard Electric Time Co.,

155 F.Supp. 949 (D. Mass., 1957);

Triumph Hosiery Mills, Inc. v. Alamance Industries, Inc.,

299 F.2d 793 (C.A. 4, 1962); (aff'g. District Court on grounds other than fraud and holding no fraud proved).





Armour & Co., v. Wilson & Co.,

274 F.2d 143 (C.A. 7, 1960), modifying 168 F.Supp.  
353 (N.D. Ill., 1958).

While fraud was found in Minnesota Mining & Mfg. Co. v. Projection Optics Co., 256 F.Supp. 354 (N.D., N.Y., 1966), in the patentee's having overcome a rejection of its application on a basis not invented by the applicant, defendant's demand for attorneys' fees was nevertheless denied.

Fraud justifying an award of attorneys' fees was found in Stock Equipment Co. v. Beaumont Birch Co., 140 P.Q. 134 (E.D. Pa., 1963). However, in that case it was shown that the defendant had been manufacturing gates or valves incorporating all of the features of the '150 patent there in suit for some 15 years before that patent was applied for, a fact which the inventor knew. Nevertheless, when the inventor and his patent attorney interviewed the Patent Examiner, they demonstrated the difference between the valve of the application and that of a prior patent of the inventor -- making no mention, however, of the anticipating valve so manufactured by defendant for 15 years prior to the filing of the application. This undisputed evidence, coupled with the Court's conclusions concerning the lack of candor of the inventor as a witness, persuaded the District Court to award attorneys' fees.

There are no comparable facts concerning Meyer or its attorneys in the case at bar. As pointed out above, there was no proof that Meyer's Milwaukee attorneys knew of the significance of Stoate '229 in disclosing a centered optical system, or that they had told Meyer's Los Angeles patent attorneys, thereof. In





any event, Stoate '229 is distinguishable in that it does not teach spatial filtering and further does not teach the combination of using alternating current signals to detect small particles in a bottle and of using direct current signals to detect large particles. Furthermore, the patent-in-suit would be validly issued even from the viewpoint of the District Court if the missile and star-tracking patent of Biberman is not properly considered as prior art (Conclusion of Law No. 13, R. 1956).

2. Alleged Failure of Defendant to Tell the  
Patent Office of the Missile Background of  
Calhoun and Williams.

The relevancy of such information to the patent prosecution completely escapes cross-appellee's counsel. The pertinency of prior patents is not determined by the occupation or educational background of the applicants for a patent. Actually, any prior experience of the applicants in the field of missiles is not pertinent since the test of patentability relates to what would have been obvious to a person of ordinary skill in the field of bottle inspection.

"All inventors, regardless of their personal skills, are held to this statutory standard".

In re Warner & Warner, 154 U.S.P.Q. 173, 175 (CCPA, 1967)

3. Alleged Misrepresentation to Patent Office  
Concerning Commercial Success of '640 Patent  
Bottle Inspectors.

Cross-appellant attempts to make much of the fact that,



in the course of prosecuting the continuation application which ultimately resulted in the issuance of the patent-in-suit, Meyer's attorneys stated in an amendment that "Applicant's system has been installed in most of the bottling plants of the United States and has been operating successfully for an extended period of time." (Exh. 41, p. 397), while the true fact was that the system had only been installed in plants of most of the major bottling companies in the United States (Tr. 968-970).

At this point cross-appellant attempts to introduce some confusion by intimating that the successful MARK IV machine, which also included certain improvements of a subsequent '666 patent, did not include the system of the patent-in-suit (see: p. 78 of cross-appellant's brief). This is not correct. The MARK IV machine was the same as the invention of the patent-in-suit except for the inclusion of a prism (Tr. 476-480, 1017).

Then cross-appellant asserts, on the basis of an alleged "stipulation" (referencing Tr. 971, 1025-1026), that in December, 1962, when the representation was so made, there were approximately 7,500 bottling plants in the United States, while there were only 406 MARK IVs out in bottle inspection plants. Cross-appellant does not find any "stipulation" in the referenced trial transcript pages. Admittedly the representation was somewhat in error, but no deceptive intention was proved. It was simply the result of a misunderstanding on the part of the attorney prosecuting the case who apparently put down "bottling plants" when he should have said "major bottling companies" (Tr. 968-970). In any





event, cross-appellant neglects to point out to the Court that the application was not allowed upon the basis of this representation (Exh. 41, pp. 402-405). The application was only allowed later in the course of prosecution after an appeal had been filed and an appeal brief presented which did not repeat the questioned representation concerning commercial success of the machine (Exh. 41, pp. 414-436, 449). Further, as the District Court found, the machine has enjoyed considerable success (Finding No. 12(c), R. 1943), and for all practical purposes the only machines now being sold in the United States for inspecting empty bottles for foreign particles are those being manufactured by Meyer, cross-appellant and Barry Wehmiller Co. (Finding No. 12(d), R. 1943). The latter two machines were developed after the invention of the patent-in-suit by one of the joint inventors thereof and his assistant Husome, who became President of cross-appellant (Finding No. 12(d), R. 1943).

Thus, as it turned out, even though representation to the Patent Examiner of the nature of the commercial success may have been mistakenly made and technically in error, there was actually an unusual degree of commercial success of the invention. Consequently, the presentation was quite harmless and immaterial. Fraud is not made out by cross-appellant's speculations as to what may have crossed the Patent Examiner's mind.

4. The Filing of the Oaths With the Continuation  
Application of October 5, 1960.

The original application for the patent-in-suit was filed June 12, 1958 (R. 1689-1690). This application was





subsequently abandoned, but before the abandonment became effective, Meyer caused to be filed on October 5, 1960, a continuation application with the identical specification and drawings and the claims which the Examiner had allowed in the earlier application, but with some additional claims describing more broadly the thus disclosed invention (P.T.O.-R. 1691). Cross-appellant contends that because the MARK II machine had been sold as early as 1958, and the MARK IV in 1959, more than one year before the filing of the continuation application, the oaths (Exh. 41, pp. 28-34, 215-218) were fraudulently presented.

The District Court declined to adopt any conclusion of law respecting this contention of cross-appellant because he found the patent-in-suit invalid on other grounds (Conclusion No. 17,- R. 1957). No findings of fact were made by the District Court which would support the conclusion now urged upon this Court by cross-appellant; nor were any such findings submitted to the District Court by cross-appellant in its proposed findings lodged following the District Court's filing of its order and memorandum of June 9, 1967 (R. 1868-1884). While Rule 52(a) provides that "Requests for findings are not necessary for purposes of review", this Court has held that it is not the trier of facts and, where necessary findings are lacking on an appeal, the judgment will be vacated and remanded to the District Court for appropriate findings of fact.

See: Irish v. United States,

225 F.2d 3, 8 (C.A. 9, 1955), and cases therein cited.



In this situation, cross-appellant is in no position to come before this Court and request it to make original findings of fact which would support a conclusion of law which the District Court refused to make and for which cross-appellant now argues here.

However, should this Court determine that it will consider cross-appellant's charge of fraud based upon the oath submitted with the continuation application filed October 5, 1960, cross-appellee asserts that the utter irresponsibility of such a fraud charge will be appreciated from a consideration of the most persuasive authorities and an examination of the three oaths which were submitted with that application by or on behalf of \* the three joint inventors.

The law in this area has been succinctly stated by this Court in Pursche v. Atlas Scraper & Eng. Co., 300 F.2d 467, 476-477 (C.A. 9, 1962), as follows:

\*\*\*Under the doctrine of "late claiming" as exemplified in such cases as Muncie Gear Works v. Outboard Marine & Mfg. Co., 315 U.S. 759, 62 S.Ct.

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\* Because the joint inventor Wyman had left I.D.C. in 1959, and had gone into competition with Meyer in developing a bottle inspection machine which he ultimately sold to Barry Wehmiller Co., Wyman would not execute an oath for the continuation application. Consequently, Mr. Meyer, President of cross-appellee, as assignee of the invention, executed a special oath on behalf of Wyman pursuant to Patent Office Rule 47 (Exh. 41, pp. 32-34).





865, 86 L.Ed. 1171 (1942), a supplemental claim adding new matter to a pending patent application is invalid where intervening use or sale of a device described in the supplemental claim occurred more than one year prior to the filing of that claim. 35 U.S.C.A. § 102(b). It is true that in this case the 090 plow had been in public use for nearly four years before Pursche supplemented his pending patent application with claim 27. But the scope of the invention stated in several claims initially made in that application extended to and included the matter covered in claim 27. Claim 27 added nothing new to the application."

In the Muncie Gear Works case cited by this Court in the last quotation, the Supreme Court held that, where the specification of the application was amended to describe and claim a different invention than that originally described and claimed and such amendment was made more than two years after the invention had been in public use, the claims to such different invention were invalid.

In the case at Bar, neither the specification nor drawings were amended in any way -- only new claims were added, but all were directed to the subject matter shown in the drawings or discussed in the specification and were thus clearly merely a clarification and amplification of the broad claim 15 which was presented with the original application filed June 12, 1958, and read:





"15. The invention substantially as shown and described and any component part thereof, individually or in combination." (See last claim of claims at end of specification, Exh. 40).

While this claim was subsequently cancelled from the original application, it manifested an intent on the part of the inventors to claim as their invention every feature of the invention which they had disclosed in their specification and drawings. Furthermore, several of the other claims in the original application were quite broad in scope and could be considered to encompass the claims in the continuation application (Exh. 40). In this situation, the holding of Muncie Gear has no proper application.

See: Pursche v. Atlas Scraper & Eng. Co., supra;  
Hayes Spray Gun Co. v. E C. Brown Co.,  
291 F.2d 319 (C.A. 9, 1961);  
Jacquard Knitting Mach. Co., v. Ordnance Gauge  
Co., 95 F.Supp. 902, 906-907, (E.D. Pa. 1951);  
108 F.Supp. 59 (E.D.Pa. 1952); aff'd. on  
this point, 213 F.2d. 503, 507-508 (C.A. 3, 1954);  
Eng. Development, Labs. v. R.D.C.,  
153 F.2d. 523 (C.C.A. 2, 1946);  
Coats Loaders & Stackers, Inc. v. Henderson,  
233 F.2d 915, 109 P.Q. 332 (C.A. 6, 1956);  
Nat'l. Latex Prods. Co. v. Sun Rubber Co.,  
274 F.2d 224, 123 P.Q. 279 (C.A. 6, 1959);



Sparton Corp. v. Evans Products Co.,

293 F.2d. 699, 130 P.Q. 387 (C.A. 6, 1961);

Lochlin v. Switzer Bros. Inc.,

299 F.2d 160, 131 P.Q. 294 (C.A. 9, 1961);

Tubular Service & Eng. Co. v. Sun Oil Co.,

220 F.2d. 27, 104 P.Q. 356 (C.A. 5, 1955);

Interchemical Corp. v. Sinclair & Carroll Co.,

144 F.2d 842 (C.C.A. 2, 1944).

The Muncie Gear doctrine was explained and held inapplicable to the situation present in Coats Loaders & Stackers, Inc. v. Henderson, supra, in a particularly enlightening opinion by Judge Stewart (later Mr. Justice Stewart of the Supreme Court of the United States) for the Court of Appeals for the Sixth Circuit.

The rationale of the law in this area has also been well stated by the District Court in the Jacquard Knitting Machine Co., case, supra, at pages 902, 906-907 of 95 F.Supp.

See also: Technicon Instruments Corp. v. Coleman

150 USPQ 227 (N.D. Ill. 1966).

In addition, it should be pointed out that since the decision in the Muncie Gear case in 1942, Congress has enacted as part of the Patent Statutes a Section 120 which reads as follows:

"§120. Benefit of earlier filing date in the United States

"An application for patent for an invention disclosed in the manner provided by the first paragraph of section 112 of this title in an application previously filed in the



United States by the same inventor shall have the same effect, as to such invention, as though filed on the date of the prior application, if filed before the patenting or abandonment of or termination of proceedings on the first application or on an application similarly entitled to the benefit of the filing date of the first application and if it contains or is amended to contain a specific reference to the earlier filed application. July 19, 1952, c. 950, § 1, 66 Stat. 800." (35 U.S.C. § 120).

Let us then consider the oaths of the inventors which were submitted with the continuation application filed October 5, 1960. Each of these oaths stated in effect that the particular joint inventor had read the specification and claims thus submitted and believed that he was "one of the original, first and joint inventors of the invention or discovery in the BOTTLE INSPECTION SYSTEM claimed and described therein"; and "that this application discloses and claims only subject matter disclosed in our pending application, Serial No. 741,634, filed June 12, 1958; that I do not know and do not believe that the said invention was ever known or used before our invention thereof, or patented or described in any printed publication in any country before our invention thereof, or more than one year prior to said application, or in public use or on sale in the United States more than one year prior to said application;\*\*\*" (Exh. 41, p. 28) [Emphasis added]





The foregoing language of the oath makes it quite clear that the representation was that the invention disclosed and claimed had not been on sale or in public use more than one year prior to the original application of which the application with which the oath was submitted was a continuation. The filing date of the original application was June 12, 1958. The oaths by and on behalf of the joint inventors were thus in no way in error or fraudulent, as cross-appellant charges, nor was the patent granted on the continuation application, invalid under the authorities cited supra pages 53-57.

Apparently recognizing this fact, cross-appellant contends on page 81 of its brief that the oath applies to the new claims and argues that these describe a different invention, so that they should only be accorded a filing date of October 5, 1960, relying on Walker Process Equipment, Inc. v. Food Mach. & Chem. Corp., 382 U.S. 172, 86 S.Ct. 347. The Walker Process case, however, does not provide any support for cross-appellant's theory. That case related to a counterclaim that a patent was procured by wilfull misrepresentations by Food Machinery to the Patent Office that the invention had not been in public use more than one year prior to the application's filing date. However, in fact Food Machinery had been a party to such a public use. The Supreme Court held that the allegations in the counterclaim stated a valid cause of action against a motion to dismiss the counterclaim. But the Court was careful to point out that it was dealing "only with a special class of patents, i.e., those



procured by intentional fraud." (382 U.S. 176). The case was remanded to the District Court for clarification of the asserted violations and for proof.

In the case at Bar, however, the oath representations make it clear as to what date of application (namely, June 12, 1958) was referred to. If the Patent Examiner felt that the invention described in the added claims was different from that originally claimed, it should have been up to him to call for an oath with reference to the later filing date of October 5, 1960. This he did not do. Furthermore, if the position of appellee should be followed by this Court, no applicant for a patent would ever be able to change the wording of a claim more than one year after the sale of an invention since such change would cause the claim to relate to a different invention than that previously claimed. This is not practical, particularly since many patent applications are not examined by the Patent Office for at least one year after filing so that problems of statutory bars relating to changes in the wording of the claims would have already arisen at the time that the patent application was first examined by the Patent Office.

Moreover, under 35 U.S.C. §120, quoted supra pages 56-7, the continuation application "shall have the same effect, as to" the invention commonly disclosed in both applications, "as though filed on the date of the prior application". If such effect is given to the continuation application, any sales in 1958 of the particle inspector for empty bottles as disclosed





in the applications constitute no bar to the continuation application since they did not occur more than one year prior to the filing of the original application on June 12, 1958.

It should be clear, therefore, that not only was there no fraud practiced by or on behalf of cross-appellee in filing on October 5, 1960 the continuation application with new claims, but the patent-in-suit resulting from such application was entirely valid as against any attack by cross-appellant based upon the Muncie Gear case supra. Cross-appellee had every right to rely on claims first presented to the Patent Office in the continuation application. Cross-appellant's arguments, presented on pages 87 through 94, inclusive, of its brief, may be seen to be entirely without merit in their attack on such claims, and in any event are without any semblance of support for an award of attorneys' fees.

5. Alleged Pursuit by Meyer of Course of Delay and Harrassment.

This outrageous charge constitutes a culmination of the series of utterly unfounded accusations of misuse, fraud and inequitable conduct advanced by cross-appellant. Cross-appellant's theory apparently is that an opponent's counsel proceeds at his client's peril should he fail to concur with proposals as to facts to be admitted or issues to be prosecuted for trial when such facts and issues are advanced by cross-appellant's counsel during the pre-trial days of the litigation.

Moreover, without any evidentiary support beyond the pre-trial order of record, or without having even suggested that





the District Court make any findings of fact in this area, cross-appellant has the audacity to come before this Court for the first time and petulantly assert that its counsel were forced to spend excessive time in working out with counsel for cross-appellee the extensive pre-trial order, in compliance with Rule 9 of the Local Rules of the District Court for the Central District of California. Cross-appellee submits that this Court should wholly ignore such extra-record contentions. Actually, the extensive nature of the pre-trial order resulted primarily from the proposal of a massive pre-trial order by cross-appellant. This proposed pre-trial order was in such form that it required extensive work on the part of cross-appellee's counsel to make the order acceptable both to cross-appellee's counsel and to the District Court.

Lastly, cross-appellant throws before this Court, in Appendices G and H to its brief, contentions that cross-appellee made through the latter's witness, Calhoun, one of the joint inventors, which contentions cross-appellant asserts were "strained" constructions of the patent and unduly prolonged the trial, in an effort to bring plaintiff within Judge Stephens' holding in Monolith Portland Midwest Co. v. Kaiser Alum. & Chem. Corp., 267 F.Supp. 726 (C.D. Calif. 1967). Here, again, cross-appellant's assertions in this respect were never presented to the District Court, who would have been in the best position to evaluate them. Cross-appellee does not propose to augment further the length of this brief (for which cross-appellee apologizes, but which is



required in order to answer cross-appellant's incredible theories of the law and misinterpretation of the facts), by attempting to show that its contentions at the trial listed in said appendices were justifiable. If cross-appellant is really serious about its assertions concerning cross-appellant's contentions, the case should be remanded for findings of fact by the District Court in respect of these contentions. Certainly, this Court should not be asked for the first time to consider them and to make findings of fact with respect thereto.

Upon any such remand, cross-appellant must appreciate that the facts present in the case at Bar upon which it relies to support its claim for attorneys' fees, are a far cry from those summarized on page 787 of 267 F.Supp. in the Monolith case, supra.

#### IV. CONCLUSION

Cross-appellant has failed to carry its burden of showing that the Findings of Fact and Conclusions of Law of the Trial Court are not supported by the record, and are clearly erroneous. In fact, from the almost total absence of discussion of the Trial Court's findings, it appears that cross-appellant has not even attempted to do so.

On the basis of the foregoing argument, it is respectfully submitted that the Findings of Fact and Conclusions of Law made by the Trial Court on the misuse



issues involved in this cross-appeal, are amply supported by the record and the legal authorities discussed.

DATED: July 11, 1968.

Respectfully,

DAVID BECKWITH,  
ELLSWORTH R. ROSTON and  
WILLIAM H. PAVITT, JR.

By

William H. Pavitt, Jr.





CERTIFICATE

I certify that, in connection with the preparation of this Answering Brief, I have examined Rule 28 of the Federal Rules of Appellate Procedure and that, in my opinion, the foregoing brief is in full compliance with that Rule.

---

William H. Pavitt, Jr.



AFFIDAVIT OF SERVICE

The undersigned hereby certifies that three (3) copies of the within Cross-Appellee's Answering Brief were this 11th day of July, 1968, served upon Martin R. Horn, Esq., Attorney for Appellant, by enclosing the same in a postpaid wrapper addressed to said attorney at 6380 Wilshire Boulevard, Los Angeles, California 90048, and depositing the same in the United States mails.

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William H. Pavitt, Jr.



IN THE  
UNITED STATES COURT OF APPEALS

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GEO. J. MEYER MANUFACTURING )  
CO. )

No. 22592-A

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Appellant, )

vs. )

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)  
SAN MARINO ELECTRONIC )  
CORPORATION )

)  
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Appellee. )  
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Appeal from the United States District Court  
for the Central District of California

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APPELLANT'S REPLY BRIEF  
\_\_\_\_\_

SMYTH, ROSTON & PAVITT

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1. GENERAL COMMENT UPON APPROACH TO ISSUES ADOPTED BY APPELLEE

Appellee seeks to have this Court consider the issues involving the patent-in-suit in the same backwards and erroneous manner as considered by the District Court (Tr. 2546). Thus, appellee attempts first to press upon this Court the issue of infringement and then the issue of patent validity. Furthermore, the issue of infringement is approached in the manner indicated by the District Court of determining the question of infringement by limiting the specification only to the particular embodiment disclosed and by construing the wording of the claims in the light of this particular embodiment (Tr. 2587-2607, 2644-2650, 2665).

If appellant's invention is limited to the literal wording of the claims (construed with reference to the particular embodiment disclosed) rather than by considering the contribution of the patent over the pertinent prior art, the Court would "place the inventor(s) at the mercy of verbalism and would be subordinating substance to form", and "convert the protection of the patent grant into a hollow and useless thing" in complete disregard of the philosophy of patent protection expounded by the Supreme Court of the United States in the Graver Tank case quoted on pages 53-54 of appellant's main brief.

If appellant's invention is considered in the broad light which is its proper due, appellee infringes the literal wording of the claims. This has been considered in detail in appellant's main brief and will be considered in some detail subsequently in this brief.





2. PROPERLY TO DETERMINE INFRINGEMENT, THE COURT MUST DETERMINE  
THE CONTRIBUTIONS OF THE INVENTION TO THE PERTINENT ART

Infringement cannot properly be determined without a clear understanding of the contribution of the invention of the patent to the pertinent art. See: Discussion and authorities infra pages 13-14.

A. The District Court's Findings Concerning the Pertinent  
Prior Art are Clearly Erroneous

It is common sense that the contribution of an invention should be evaluated from the standpoint of a person of ordinary skill in the field with respect to the solution of the problems to which the invention is directed. This is implicit in Section 103 of Title 35 whereby patentability is in effect denied "if the differences between the subject matter sought to be patented and the prior art are such that the subject matter as a whole would have been obvious at the time the invention was made to a person having ordinary skill in the art to which said subject matter pertains". See: Discussion commencing on page 35 of appellant's main brief.

The District Court's initial error lay in its Finding of Fact No. 9 which reads:

"The nature of the art we are here concerned with is the detection of foreign objects in a field of view by electro-optical techniques, rather than being limited to the bottle inspection field." (R. 1941)

This was an arbitrary and artificial classification based only upon the fact that appellees and the Patent Examiner had cited patents in these several fields to show that individual features



of the invention had been employed in these other fields. However, there was no evidence adduced at the trial to support the District Court's Finding No. 9 that the art should be considered as the detection of foreign objects in a field of view by electro-optical techniques rather than being limited to the bottle inspection field. On page 56 of its brief, appellee cites testimony of Ryde and Griest in support of its position. However, the testimony of Ryde on pages 1382-1391 of the transcript relates only to the limited competence of Ryde as an expert witness. Furthermore, the Griest testimony quoted on pages 56 and 57 of appellee's brief from pages 2150-2151 of the transcript was obtained by appellee's counsel, rather than appellant's counsel as indicated by appellee. This testimony involves an assumption by appellee's counsel that there is an optical scanning and detection art, and Griest's conclusion is based upon such assumption. The attempt of Griest in his testimony to convert the Biberman patent from the missile tracking field to the bottle inspection field was completely distinguished on cross-examination (Tr. 2249-2260) when he admitted that he did not understand the production of low frequency signals in the scanning of the bottom of a bottle, such low frequency signals resulting from the scanning of the edge of the bottle. If Griest as an expert in the field of missile tracking did not understand the effect of the edge of the bottle in producing low frequency signals, the Biberman patent could not be easily expanded from the missile tracking field to the bottle inspection field.

The impropriety of considering the art as the detection of foreign objects in a field of view by electro-optical techniques





is also revealed by the testimony of appellee's own witness Stoate, the British inventor who had made a number of inventions in the field of bottle inspection over a period of thirty (30) years. Stoate testified on cross-examination that he had considered television technology in his efforts to solve problems of bottle inspection (Tr. 1934). Stoate apparently never considered the missile or star tracking technology even though he may have disclosed a centered optical system for bottle inspection in British patent 517,229.

Actually, appellee had an opportunity to establish through witnesses experienced in the bottle inspection field that bottle inspection fell into the broad art of the detection of objects in a field of view by electro-optical techniques. Appellee had several opportunities to do this since Calhoun, one of the inventors of the '640 patent, and McConnell, appellant's chief engineer on bottle inspection systems, testified on behalf of appellant, and Husome, appellee's chief engineer, and Stoate testified on behalf of appellee. Whether by design or oversight, appellee failed to question any of these witnesses as to whether a person of ordinary skill in the field of bottle inspection would have looked to the missile and star tracking patents to solve bottle inspection problems, or otherwise consider bottle inspection technology to fall within the broad art of the detection of objects in a field of view by electro-optical techniques.

Appellee has devoted many pages of its brief in an effort to support Finding of Fact No. 10 (R. 1941) and to answer appellant's discussion on pages 38-46 of appellant's main brief





with respect to this Finding. This Finding is to the effect that electro-optical systems for the detection of objects in the sky, material moving on a conveyor, the presence of objects moving on the ground and objects in a container all reside in analogous art. However, as pointed out on page 40 of appellant's main brief, the District Court did not support what was really a conclusion of law (it was, thus, also included as Conclusion of Law No. 6) by factual findings consonant with the test of analogous art. This test was properly set forth by the Court in its Conclusion of Law No. 5 (see: Authorities cited on page 39 of appellant's main brief).

In an effort to rectify this deficiency in the factual findings, appellee attempts to argue from analogies to certain cases and secondly to wander outside of the record before the Court by references to Patent Office publications which were not introduced in evidence before the District Court. For example, appellee makes reference to certain definitions on pages 59 and 60 of its brief. Such use of references not in the record is not proper. Actually, Finding of Fact No. 10 is not supported by the record for the same reasons as discussed above with respect to Finding of Fact No. 9.

In Sperry Products, Inc. v. Aluminum Company of America, 171 F. Supp. 901, 911 (D.C. Ohio, 1959) affirmed in part 285 F.2d 911, 917, 918 (C.A. 6th, 1960), cert den. 368 U.S. 890, 82 S.Ct. 139, 142 (1961), the Court held that two fields were not analogous which were similar to those of bottle inspection and missile tracking. Specifically, the Court held that the use of



pulse echo techniques to detect ionized layers or perturbations in the upper atmosphere was not analogous to the use of pulse echo techniques to detect flaws or perturbations in an article. In both systems, a pulse was transmitted and, when the pulse struck a perturbation such as the ionized layer or the flaw, the pulse was reflected to indicate that there was a perturbation. Both the '640 patent and the Sperry patent relate to the detection of perturbations in an article. The art cited against both the Sperry and the '640 patents comes from the same type of remote art, both relating to the detection of perturbations in the sky. If the use of pulse echo techniques to indicate ionized layers or perturbations in the upper atmosphere is not analogous to the use of such techniques to indicate flaws or perturbations in objects, as held by the Sixth Circuit, certainly any use of scanning techniques in the missile field is not analogous to the use of such techniques in the bottle inspection field. This is particularly true since the Sixth Circuit uses the same tests as this Court to determine whether two arts are analogous.

B. The Invention of the Patent-in-Suit Was Not Obvious to a Person of Ordinary Skill in the Bottle Inspection Art

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Of course, after the problems were solved by the inventors of the patent-in-suit, the eminent missileman, Dr. Griest, who could not at the trial explain the reason for the presence of low frequency interfering components in the signal generated by rotating the reticle (Tr. 2249-2260), did testify how obvious it was to detect a particle in a bottle by the same technology as that employed to find an airplane in the





sky and how easy it was to adapt the Biberman system to inspect bottles. However, Griest testified on cross-examination as to the extensive modifications which would be required in the Biberman system to detect particles in a bottle (Tr. 2396-2301). Such testimony of his inability to understand the system of the patent-in-suit and of the modifications required in the Biberman patent would support a finding of unobviousness. Furthermore, someone first had to appreciate that the Biberman system might be so adapted. No one prior to the inventors of the patent-in-suit ever came close to such an appreciation.

Appellee contends that the Patent Examiner, when considering the application for the patent-in-suit, recognized that the spatial filtering system produced by the rotating reticle there shown in the application drawings had some similarities to such systems used in missile and star tracking technology and then cited patents from the latter. Such cannot be taken as persuasive that it was obvious to use such spatial filtering techniques in bottle inspection at the time that the joint inventors conceived and reduced this system to practice.

"...infallible hindsight is much more common than precarious foresight..."

Dempster Bros., Inc. v. Buffalo Metal Container Corp.,  
352 F.2d 420, 422 (CCA2, 1965)

"...the law has other tests of the invention than subtle conjectures of what might have been seen and yet was not."

Diamond Rubber Co. v. Consolidated Rubber Tire Company,  
220 U.S. 428, 436, 31 S.Ct. 444, 447





On pages 60 and 61 of its brief appellee alludes to the fact that the inventors had some prior experience in the missile tracking field. Any such prior experience is irrelevant since the test of obviousness is determined through the eyes of a person having ordinary skill in the art to which said subject matter pertains, namely bottle inspection.

"All inventors, regardless of their personal skills, are held to this statutory standard." (In re Warner and Warner, 154 U.S.P.Q. 173, 175 (Ct. Customs & Pat. Appls, 1967))

Appellee refers on page 60 to a notation in Calhoun's notebook in an attempt to show that Calhoun appreciated the relationship between the Falcon missile system and the invention of the patent-in-suit. The testimony of Calhoun on page 766 of the transcript is not to this effect. Actually, if the notation in Calhoun's notebook related to any patent, it related to an improvement disclosed in patent 3,081,666 rather than to the invention of the patent-in-suit.

Appellee attempts on page 61 of its brief to make much of correspondence from George Meyer, appellant's president, relating to the significance of some prior publications discovered by Meyer. Appellee characterizes Meyer as a man with ordinary skill in the art. There is nothing in the record to substantiate this since no questions were asked of Meyer as to his background in education or experience and no questions were asked of Meyer as to such correspondence. If Meyer had such skill and if his correspondence with Calhoun had special significance because of



this skill, Meyer's agreeing to make a downpayment of \$75,000.00 and to pay a continuing royalty for the patent-in-suit strongly suggests that he regarded the invention as unobvious. Actually, if anything, Meyer had considerably less than ordinary skill in the art. The questions raised by Meyer in such correspondence were merely those of a businessman concerned about the substantial investment he had made. Furthermore, this question was raised after the invention of the patent-in-suit on the basis of hindsight.

C. The District Court Properly Concluded that, if  
Biberman Patent is not to be Considered Pertinent  
Prior Art to the Patent-in-Suit, the Patent-in-  
Suit is Valid

Appellee finally argues on page 62 of its brief that, even without reference to any missile or star tracking patents, the invention of the patent-in-suit was taught by patents in the bottle inspection field. This is directly contrary to Findings 11(e), 11(f), 12 and 13 by the District Court. None of these Findings has been shown to be clearly erroneous. No patent in the bottle inspection field disclosed or contemplated the combination of rotating a member such as a reticle to provide spatial filtering for separating the frequencies of the signal components representing particles from the frequencies of signal components representing edge and other undesirable effects and for selecting the frequencies of the signal components representing the particle and attenuating the other frequencies. Furthermore, contrary to the contention of appellees on pages 69 and 70 of its brief, Stoate patent 517,229 does not teach the





combination of spatial filtering and frequency selection since Stoate's system was a DC system, as Stoate himself admitted (Tr. 2030) and as the Court found in Finding 11(b).

Furthermore, on pages 63-65 of its brief, appellee cites a number of Ninth Circuit cases relating to the test for validity of claims relating to combinations of elements and concludes that appellant's combination does not produce any change in the respective function of the individual elements. This is contrary to Finding of Fact No. 12(a) of the District Court, which found:

"The '640 patent discloses the first system for detecting small particles in the bottom of a bottle while scanning the bottom of the bottle, including the edge of the bottle, without masking the edge of the bottle."

Furthermore, the District Court found in Finding of Fact No. 13:

"Some of the problems specific to the bottle inspection field, including the effects of the edge of the bottle, were neither recognized nor solved by others prior to the filing by the inventors of the patent application which matured into the '640 patent."

The problems relating to the effects of the edge of the bottle are discussed in detail on pages 13 and 41-44 of appellant's main brief. As appellant has indicated in its main brief, no attempt was made prior to the invention of the patent-in-suit to scan the edge of the bottle, particularly since the effects of the edge of the bottle tend to completely overshadow the effects of a particle in the bottom of the bottle.





Appellee contends on pages 68 and 69 of its brief that appellant's machine did not enjoy "commercial success" because the machine marketed by appellant was not the same as that disclosed in the '640 patent. This is contrary to the finding of the District Court in Finding 12(c) and such Finding has not been shown by appellee to be clearly erroneous. Actually, the only change in the marketed machine, from that disclosed in the '640 patent, other than in the mechanical handling of the bottles, was the addition of a prism to insure that the machine would be able to detect particles at the center of the bottom of the bottle (Tr. 476-480). This addition of the prism did not affect the basic operation of appellant's machine (Tr. 476-480). Furthermore, if appellee's argument were to be drawn to its logical conclusion, no machine could be ever considered to enjoy commercial success since improvements are constantly being made in every machine.

The District Court recognized in Finding of Fact No. 13 that the patent-in-suit would be valid if the missile and star tracking field could not be considered with the bottle inspecting-field as a single art of detecting objects in a field of view by electro-optical techniques. Appellant has demonstrated that the missile and star tracking field cannot be properly considered as a single art with the bottle inspection field. However, even if the missile and star tracking field can be considered as a single art with the bottle inspection field, the patent is valid since the invention of the patent achieves a new and surprising result in detecting a particle in the bottom of a bottle while scanning the edge of the bottle. The patent-in-suit is



We turn, then, to the issue of infringement.

3. THE DISTRICT COURT'S FINDINGS ON THE ISSUE OF INFRINGEMENT,  
BASED UPON ITS ERRONEOUS APPROACH TO THAT ISSUE, WERE  
CLEARLY ERRONEOUS

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On the issue of infringement, appellee would subject this Court to the myopia of reading only the wording of the claims without the benefit of any understanding of the inventors' contribution to the bottle inspection art or any appreciation of the fact that appellee's machines fully utilize that contribution. Furthermore, appellee has attempted to support its position by conclusions made by its own witnesses on direct examination even though, on cross-examination, such witnesses made admissions directly contrary to their conclusions on direct examination.

While it is true that in many instances a District Court may determine factual issues in arriving at a conclusion as to whether or not there has been infringement (e.g. see Kim Bros. v. Hagler, 276 F.2d 259, 262 (CA 9, 1960) cited by appellee on page 20 of its brief), whether or not infringement exists in many instances may represent a conclusion of law.

Thus, see:

Hansen v. Colliver, 282 F.2d 66, 69 (CA 9, 1960)

Pursche v. Atlas Scraper & Eng. Co., 300 F.2d 467,  
482 (CA 9, 1961)

Moon v. Cabot Shops, Inc., 270 F.2d 539, 545  
(CA 9, 1959)

Lundgren v. Freeman, 307 F.2d 104, 113-115  
(CA 9, 1962)

In any event, where the District Court has determined the infringement issue by an erroneous approach, this Court has





experienced no difficulty in finding reversible error.

See: Neff Instrument Corp. v. Cohu Electronics, Inc.,  
298 F.2d 82 (CA 9, 1961)

Appellant submits that the District Court adopted an erroneous approach in the case at Bar by: (1) failing first to consider the validity issue whereby it would have had to make a determination of the contribution by the joint inventors to the properly defined art; (2) including missile and star tracking patents in the art which it considered pertinent to the bottle inspection patent in suit and against which the inventors' contribution was evaluated; (3) failing to acknowledge that appellee's machines utilize the inventors' contribution to the bottle inspection art which it should have thus determined; and (4) considering the invention to be limited to the disclosed embodiment and reading the claims literally and with reference to such embodiment - even though the District Court found that the inventors had reduced to practice, prior to filing the application for the patent-in-suit, the techniques asserted by appellee to distinguish the accused machines from the embodiment disclosed in the patent-in-suit.

As a consequence of adopting such approach to the issue of infringement, the District Court made a series of findings, to support a conclusion of non-infringement, which were clearly erroneous.

"Infringement is not a mere matter of words" (Grant v. Koppl, 99 F.2d 106, 110 (CCA 9, 1938), cited in Pursche v. Atlas Scraper & Eng. Co., supra at p. 482). While claim wording is





certainly to be looked to in the first instance (See Graver Tank & Mfg. Co. Inc. v. Linde Air Prods. Co., 339 U.S. 605, 607; 70 S.Ct. 854), "the degree of protection afforded beyond the language of the claims will vary directly with the value of the inventor's contribution of the art" [Judge Learned Hand's opinion in Royal Typewriter Co. v. Remington Rand., Inc., 168 F.2d 691, 692 (CA 2, 1948)], quoted in Nelson v. Batson, 322 F.2d 132, 135 (CA 9, 1963).

Since the missile and star tracking patents typified by Biberman are not pertinent prior art to the patent-in-suit, Finding of Fact No. 5 and Conclusion of Law No. 19 are obviously bottomed upon an erroneous premise, viz. that the patents relating to missile and star tracking are pertinent prior art.

The District Court also proceeded on the premise that it would limit the scope of the patent-in-suit specifically to what was disclosed in the specification and drawings (Tr. 2665). As this Court will appreciate, it would have been impossible even in a book-size volume to have anticipated all of the different variations which were possible within the scope of the invention.

An analysis of several of the District Court's Findings of Fact will illustrate the inconsistent manner in which his Honor proceeded. Thus, Finding of Fact No. 5 in effect indicates that the District Court considered the invention of the patent-in-suit to be limited to the particular embodiment disclosed in the drawings and specifications. What the District Court has thereby done, therefore, is to hold, in effect that



notwithstanding the fact that the inventors of the patent-in-suit were the first to perform bottle inspection by (1) the use of a centered optical system to provide spatial filtering for generating signal components, some of which components are indicative of the presence of a dirt particle, and (2) then selecting those components from other signal components by a particular disclosed electronic technique, the patent is to be limited in scope to the particular embodiment disclosed in the specification.

Hence, appellee has been held not liable for infringement even though it uses a similar centered optical system (which itself was entirely new in its application to the bottle inspection art) to generate signal components by spatial filtering techniques and processes the latter electronically to select the components indicative of a particle (Tr. 567-571, 587-589, 592-596, 1288-1292). Appellee has been held not to infringe because appellee allegedly uses a slightly different electronic technique - notwithstanding the fact that a person skilled in the art would recognize that appellee's system accomplishes the same result by the same means as that specifically disclosed in the patent-in-suit (Tr. 567-571, 587-589, 592-596, 1288-1292). Appellant submits that this is not the "just result" contemplated by Judge Learned Hand in the Royal Typewriter Co. case, supra, cited in this Court's opinion in Nelson v. Batson, supra.

When the findings adopted by the District Court on the question of infringement are viewed in the light of the real and great contribution hereinabove explained, they will





appear to be little more than an ingenious exercise in judicial nit-picking, and clearly erroneous. For example:

In Finding No. 5(d) the District Court states that the patent-in-suit "does not include a disc having a single reflective line with the remainder of the surface opaque". (R. 1940). This Finding is erroneous. When rotated, appellee's scanning member causes pulses to be produced by the photocell in a similar manner and by similar or equivalent means to that produced by scanning members within the concept of the patent-in-suit (Tr. 1760, 1845, 1882). This error is repeated in Finding No. 7 wherein the District Court arbitrarily imposes upon all of the patent claims a limitation that the circular scanning member must have at least two radial opaque areas and two transparent areas. This limitation is imposed notwithstanding the Court's Finding No. 20 to the effect that the inventors, before filing the application which formed the basis of the patent-in-suit, had tried a reticle with a single translucent area. (R. 1947). Since any disc with a single transparent or reflective area will produce the same light chopping effect in a similar manner as a multi-segment reticle (see Ryde and Griest testimony Tr. 1760, 1842-1845, 1882, 2221-2222), Finding No. 7 represents a clearly erroneous denial of equivalence and a further unjustified restriction upon the claims, notwithstanding the basic inventive concept.

The inclusion of a disc with a single transparent or reflective line within the concept of the invention is also clearly evident from the discussion in Column 5, lines 39 to 45, inclusive, of the patent-in-suit. Here it is stated that:





"The essence of these various reticle patterns is that a reticle be positioned and rotated in front of a photocell so that all of the information bearing light or light from the area being inspected passes through the reticle to the photocell and the reticle pattern is such that in the area being inspected any point is scanned by an alternate opaque and translucent area of the reticle."

Literally, even a scanning member having a single transparent or reflective line and a single opaque area would provide a scan of any point "by an alternate opaque and translucent area of the reticle", particularly when the scanning member is rotated through more than one revolution. Furthermore, since by Ryde's own testimony a single-spoke reticle rotating through two revolutions is equivalent to a double-spoke disc rotating through a single revolution (Tr. 1842-1845), any point would be scanned as a practical matter "by an alternate opaque and translucent area of the reticle". Furthermore, appellee's use of a reticle with a single translucent or reflective area and a single opaque area even meets the terminology of such claims as Claim 24 since the total number of areas is 2 and accordingly the member has "alternate radial and opaque areas".

As another example, the District Court limited the patent-in-suit in Finding of Fact 5(a) to the production of alternating current at a single frequency. This Finding is clearly erroneous. For example, the production of signal components at more than one frequency is reflected in the terminology of some of the claims in the patent-in-suit. By way



of illustration, Claim 18 uses the plural term "particular alternating components". Other claims such as Claim 23 use language such as "...a specific frequency range...". Still other claims such as Claim 22 do not use the term "frequency" at all.

Appellee's position is that the patent-in-suit selects a signal at a particular frequency, from the pulse produced by the photocell, to detect a particle at the bottom of a bottle whereas appellee's system detects a particle by the slope - or abruptness - of the pulse produced by the photocell. However, Husome admitted on cross-examination that the slope - or abruptness - of the pulse increased as the high frequency components in a pulse increased (Tr. 1323-1339, 1345-1349). Husome further admitted on cross-examination that appellee selected the signal components at frequencies between 200 and 5000 cycles per second to detect a particle in the bottom of a bottle (Tr. 546-554, 567-570, 1186-1187). As Husome further admitted on cross-examination, differentiation - or slope detection - is a member of the family of frequency discrimination (Tr. 1289-1292). Furthermore, the "RC" circuit used by appellee to provide "slope detection" was well known prior to the filing of the patent-in-suit in the United States Patent Office, as admitted by Griest on cross-examination (Tr. 2271-2272), and was successfully used by the inventors to detect a particle in the bottom of a bottle prior to such filing (Tr. 267, 2371-2374). As Griest further admitted on cross-examination, LC and RC circuits may be used interchangeably to select particular





frequencies although one type of circuit may provide a different degree or characteristic of frequency discrimination over that obtainable by the other (Tr. 2232-2234). On this basis, there is no important distinction between the use of LC circuits in the invention of the patent-in-suit or the use of RC circuits in appellee's machine.

In other words, the slope detection electronic technique used by appellee is actually quite similar to the frequency selection electronic technique of the patent. Thus, not only do appellee's machines employ means equivalent to those of the patent to generate signals with alternating components, some of which represent a dirt particle, but appellee's machines then use an equivalent electronic technique to select the frequency components representing the particle and use these components to trigger a bottle rejecting mechanism.

Appellee further predicates the alleged difference between its system and the patent-in-suit on the basis that the patent-in-suit produces an alternating current (a single frequency) whereas appellee's system produces a pulse. However, Ryde and Griest admitted on cross-examination that a "pulse" is a special form of "alternating current" (Tr. 1745, 2223), and Husome, Ryde and Griest admitted on cross-examination that a pulse had alternating components (Tr. 1295-1305, 1327-1347, 1738-1746, 2223-2224). Ryde admitted on cross-examination that the train of pulses produced by appellee's machine would be similar to that produced by the '640 system so that it would be reasonable to call such pulses "alternating current" if they are designated as "alternating current" in the '640 patent





(Tr. 1744-1745). This is consistent with the testimony of Griest on cross-examination that patent attorneys use the term "alternating current" loosely with the term "pulse" (Tr. 2223). Such constitutes strong proof that any differences between "alternating currents" and "pulses" or between "frequency selection" and "slope detection" are only ones of semantics rather than of substance.

On page 59 of its main brief, appellant has discussed the decision by this Court in the Neff Instrument Corp. v. Cohu Electronics, Inc., 298 F.2d 92 (CA9, 1961) to show that this Court has already held RC and LC circuits to be equivalent. However, on pages 48 and 49 of its brief, appellee has stated that the Neff case is not in point because the Neff case related to filters whereas the present case does not deal with filters. As appellant has shown above and as Husome has admitted on cross-examination (Tr. 546-554, 567-570, 1186-1187), both the RC circuits in appellee's machine and the LC circuit in the patent-in-suit provide frequency selection by attenuating certain frequencies so as to emphasize the selected frequencies. This is consistent with the definition of "filter" in Webster's New Collegiate Dictionary (Copyright, 1961) published by G. & C. Merriam Company of Springfield, Massachusetts. On page 311 of this dictionary, the term "filter" is defined from an electrical standpoint as "An electric circuit so designed that a certain selected range of frequencies is transmitted while other frequencies are almost entirely suppressed". Since the RC circuits in appellee's machine and the LC circuits in the



patent-in-suit are acting as filters as defined by Webster, the Neff case is directly pertinent.

As will be seen from the above discussion and from pages 56-65 of appellant's main brief, appellee's machine does produce alternating current in the relevant sense as taught by the patent-in-suit. Since this is the only basis upon which Claim 22 has been held not to infringe, appellee obviously infringes Claim 22. Furthermore, this constitutes the main basis upon which a number of other claims in the patent have been erroneously held not to infringe.

Appellant has discussed above only two of the findings by the District Court with respect to the issues of infringement. The other findings have been discussed in appellant's main brief. In view of the restricted length required of this brief, appellant will not discuss these findings again in this brief. However, from the foregoing discussion, this Court will see that the District Court has clearly erroneously limited the scope of the claims and the normal meaning of the language of the claims. For example, the term "sequentially and cyclically" in such claims as Claims 7, 22 and 23 obviously refers to a progressive rotation of the scanning member through more than one revolution, as Ryde admitted on cross-examination (Tr. 1821-1826).

We come lastly to the District Court's detailed findings incorporated in Finding of Fact No. 22. At the outset of this finding, the District Court admits that appellee's machines seek the same end result of detecting foreign particles in a bottle as does the machine described in the patent-in-suit, but finds that the means employed are dissimilar in certain





respects enumerated with reference to language of the claims in issue. It is at this point that the District Court's nit-picking reaches its apogee. For example, let us consider each lettered paragraph under Claim 7 of Finding 22.

First referring to paragraph (a), appellee has conveniently underscored the pertinent claim language in its quotations on pages 23 and 24 of its brief. This language is intended to describe the circular sweep of the scanning member at the instant that the bottle is moved near the centered position shown in the patent drawing copied on page 7 of appellant's main brief. When the bottle is moved near the centered position, the language of the claim certainly applies to both the machine embodiment of the patent drawing as well as to appellee's machine, as Ryde admitted on cross-examination (Tr. 1761-1767). However, as may be seen from paragraph (a) of the Court's findings with respect to Claim 9, the District Court attempted to read further limitations into the language of the claim by requiring that the progressive scans of the scanning member at all times include the center of the bottom of the bottle and progressive portions of the periphery of the bottle. Actually, even this is true since each position on the bottom of the bottle in appellee's machine is constantly being scanned either by the mirrored line or the opaque area of the scanning member. At any rate, appellee's scanning member is equivalent to the scanning member of the patent-in-suit since both scan the bottom of the bottle to provide spatial filtering.

Turning next to paragraph (b) under Claim 7, again the pertinent claim language is conveniently quoted on pages





24 and 25 of appellee's brief. Note that the District Court has changed the claim language in Finding (b) with respect to Claim 7 and discusses "the detection circuitry of the SME machines" not being "concerned with rendering a repetitive alternating current signal output at the photocell". Claim 7 says nothing about "detection circuitry" being concerned with rendering a repetitive alternating current signal at the output of the photocell. Rather, the claim recites that the photoelectric scanning means is "constructed and disposed to render an alternating current signal output" under the described condition of the presence of dirt particles. As discussed on pages 17-21 of this brief and on pages 56-65 of appellant's main brief, the photoelectric scanning means in appellee's machine is also constructed and disposed to render an alternating current signal output.

The alleged difference between the production by the electronic circuitry associated with the photocell of an alternating current signal in the invention of the patent-in-suit and the signal in appellee's machine is further explained by the District Court in paragraph (c) under Claim 7. As indicated above, these alleged differences have been discussed in some detail on pages 17-21 of this brief and pages 56-65 of appellant's main brief to show that the differences are largely illusory. The electronic circuitry in the patent-in-suit and the electronic circuitry in appellee's machine produce "an alternating current signal" as this term is used in Claim 7.

The other claim distinctions particularized by the District Court in Finding No. 22 may be shown to be equally



hypercritical and erroneously limiting of the patent, particularly since appellee's machines have appropriated the true contribution of the joint inventors to the pertinent bottle inspection art.

#### 4. SUMMARY

The findings of the District Court on the issues of validity and infringement are clearly erroneous. The finding of invalidity is predicated in part on the finding that the fields of bottle inspection and missile tracking are included within the art of detecting objects in a field of view by electro-optical techniques or are analogous. This finding is erroneous since the fields of bottle inspection and missile tracking are neither analogous nor included within a broad art. However, even if the two fields are analogous, the patent-in-suit is valid since it achieves a new and surprising result in detecting particles in the bottom of a bottle even while scanning the edge of the bottle. This is particularly true since none of the patents in the bottle inspection field discloses or contemplates a system using a centered optical system with a radial scan to provide spatial filtering for generating certain frequency components representing a particle in the bottom of a bottle and other frequency components representing other undesirable effects such as the edge of the bottle and to provide electronic frequency selection for selecting the frequency components representing the particle.

The patent should be given a broad scope in view of its validity rather than being limited, in the manner followed



by the District Court, to the specific embodiment disclosed in the patent. For example, the use by appellee of a scanning member with a single translucent or reflective line and a single opaque area is clearly encompassed within the scope of the patent, contrary to the erroneous finding of the District Court in Finding 5(d). The other Findings by the District Court to limit the scope of the patent are also clearly erroneous, particularly in view of the admissions by appellee's witnesses on cross-examination. Appellee clearly infringes the spirit of the claims and also literally infringes the language of the claims, particularly when such language is given a normal meaning in view of the broad scope of the patent.

DATED: July 3, 1968.

Respectfully submitted,

SMYTH, ROSTON & PAVITT

By

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C E R T I F I C T E

I certify that, in connection with the preparation of this Reply Brief, I have examined Rule 28 of the Federal Rules of Appellate Procedure, and that, in my opinion, the foregoing Reply Brief is in full compliance with that Rule.

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Ellsworth R. Roston



AFFIDAVIT OF SERVICE

The undersigned hereby certifies that three (3) copies of the within Reply Brief were this 3rd day of July, 1968, served upon Martin R. Horn, Esq. of Spensley, Horn and Jubas, Attorneys for Appellee, by enclosing the same in a postpaid wrapper addressed to said attorney at Suite 1400, 6380 Wilshire Boulevard, Los Angeles, California 90048, and depositing the same in the United States mail.

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Ellsworth R. Roston



IN THE  
UNITED STATES COURT OF APPEALS  
FOR THE NINTH CIRCUIT

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SAN MARINO ELECTRONIC  
CORPORATION, a California  
corporation,

Cross-Appellant,

vs.

GEO. J. MEYER MANUFACTURING  
CO., a Wisconsin corporation,

Cross-Appellee

No. 22592

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Appeal from the United States District Court  
for the Central District of California

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CROSS-APPELLANT'S REPLY BRIEF

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THE QUESTION OF WHETHER OR NOT THE PATENT-IN-SUIT HAS BEEN MISUSED BY MEYER IS PURELY ONE OF LAW.

A. Whether Or Not the Trial Court Properly Construed the Transfer Agreement of September 21, 1959, is Purely a Question of Law.

Cross-Appellee, Geo. J. Meyer Manufacturing Co., (hereinafter "Meyer") has clearly misunderstood the significance and impact of the Trial Court's Conclusion of Law No. 18 (R. 1836) which states: "The Court concludes that the terms of the patent transfer agreement are understandable, and the Court has therefore interpreted the contract without regard to extraneous evidence."

As its first line of defense herein, Meyer has adopted the position that cross-appellant, San Marino Electronic Corporation (hereinafter "SME"), has failed in its "fundamental burden" of showing that the findings of the Trial Court have no support in the record or are clearly erroneous. (Meyer Answering Brief, p. 13a) In addition, Meyer has paraphrased extensive portions of the record and transcript in an effort to show that evidence before the Trial Court supports the Trial Court's conclusions as to the meaning of the various clauses of the Patent Transfer Agreement and the Consultant Agreement here at issue. (The terms "Patent Transfer Agreement" and "Consultant Agreement", adopted by the Trial Court in Finding of Fact No. 6, R. 1816-1817, are hereinafter descriptive of that agreement between Industrial Dynamics Corporation, Calhoun and Browning and Meyer dated September 21, 1959.)



From the inception of these proceedings, it has been SME's position that the Patent Transfer Agreement, and the Consultant Agreement, are clear and unambiguous and have meanings clearly determinable from the face thereof. Whether there is or whether there is not ample evidence in the record to support those conclusions of the Trial Court directed to the interpretation and construction of the Patent Transfer and Consultant Agreements is a completely irrelevant question. In reaching its conclusions as to the meaning of the Patent Transfer Agreement, and Article XIV thereof, the Trial Court expressly stated that it would not, and did not, consider any other evidence before it than the instrument itself. (Tr.\* 330, et seq, 334) If the Trial Court did not consider any extraneous evidence in reaching its interpretation or meaning of the Patent Transfer Agreement, SME now asks why Meyer considers it necessary that SME should parade before this Court evidentiary facts tending to sustain its contentions when such evidence was not considered by the Trial Court? In like manner, SME now asks why, when Meyer, at p. 15 of its Answering Brief, accuses SME of bringing before this Court evidence not before the Trial Court (a hyper-technical point in view of the Trial Court's review of the Leo Meyer deposition; Tr.\* 541-542; 745), Meyer now brings before this Court record and transcript citations clearly irrelevant in view of the Trial Court's total reliance on the "four corners" of the instruments at issue? The answers to these questions appear obvious; despite its protestations to the contrary, Meyer is not willing to rely upon the face of the Patent Transfer Agreement in its attempt to sustain the clearly erroneous conclusions as to the meaning thereof drawn by the Trial Court.





As to the misuse of the '640 patent, a major issue before this Court is whether, in view of the plain meaning of Article XIV of the Patent Transfer Agreement, Meyer has misused the '640 patent. It is now, and always has been, SME's contention that Article XIV has a plain and simple meaning; that Industrial Dynamics Corporation was not to make any machines for performing the function of inspecting empty bottles for foreign particles which were competitive with any such machine made by Meyer, for a period of approximately 22 years, anywhere in the world. At pages 30 through 35 of its main brief, SME has exhaustively analyzed the various relevant portions of the Patent Transfer Agreement in an effort to demonstrate the incongruity of the Trial Court's determination that Article XIV is limited in coverage to machines covered by the two patent applications transferred, and is limited in duration to the pendency period of such applications. The major error in such conclusion is that in order to reach it, the Trial Court, faced with language clearly contrary to its conclusion, merely disregarded such language, giving it no force or effect.

As stated in SME's main brief at page 29, it is well established that an instrument must be construed according to all of the terms employed and that the court is not at liberty to disregard words used by the parties or to insert terms not employed by the parties. More specifically, this Court, in the case of General Casualty Co. of America v. Azteca Films, Inc., 278 F.2d 161 (9th Cir., 1960) held that, in interpreting an unambiguous and clearly stated agreement,





"...where a written agreement attempts to cover all relationships of the contracting parties, interpretation to be given the contract is determined, as a matter of law, solely from the instrument itself, if possible, without making any part of the instrument nugatory, or without reaching an absurdity, and the appellate court is free to adopt its own construction."

With these established legal principles in mind, turn to the first example of the fallacies of the Trial Court's conclusions and of Meyer's arguments attempting to sustain such conclusions; the "whereas clause" of the Patent Transfer Agreement. The "whereas clause" provides:

Whereas...are the inventors of a machine, hereinafter called a "bottle inspection machine", which is used to detect and reject bottles coming from a bottle washer which have not been properly washed or which contain foreign matter, for which invention two applications for Letters Patent have been filed... (Emphasis added)

It is Meyer's contention, and the Court's conclusion, that this clause defines the subject matter of the Patent Transfer Agreement as including only machines "described" in the patent applications filed. Meyer states at page 19 of his Answering Brief that it is hard to imagine a better way of defining an invention which is the subject of a sale than to tie it to the description of the invention contained in the patent applications. It is first submitted that such a "tie-definition" is probably the least acceptable of all possible ways of defining the subject of the transfer. Portions of virtually every patent application, including those transferred, describe "things that are admittedly old. Thus, one must look



to the claims submitted. But which claims? Those first presented or those added during prosecution of the application? If this definition is to be accepted, it is probable that the subject matter of the Patent Transfer Agreement would be one thing before an Office Action issues and another after a responsive amendment, a clearly unacceptable situation. (Ex. 42) More importantly however, the "whereas clause" itself describes a bottle inspection machine as one "which is used to detect and reject bottles coming from a bottle washer which have not been properly washed or which contain foreign matter", a phrase stripped of its plain meaning by the construction of the "Whereas clause" argued for by Meyer, a result to be avoided if an otherwise reasonable interpretation may be given the clause in question. Furthermore, it will be noted that the foregoing definition is immediately followed by the words "for which invention two applications...have been filed....", words clearly identifying the preceding phrase as the definitive phrase.

(Emphasis added) It is submitted, that the only reasonable construction to be given the clause in question is that, if the "Whereas clause" defines the subject matter of the agreement, such definition is found in the phrase "which is used to detect and reject bottles coming from a bottle washer which have not been properly washed or which contain foreign matter,".

Turning now to Article XIV itself, it is SME's contention that the phrase "enter into competition with" must of necessity encompass within its meaning more than that which is "described" in the transferred applications. Such is clearly shown by the operation of Article V. B.giving Meyer the





exclusive right to manufacture the "bottle inspecting machines". And finally, with respect to the phrase in Article XIV, "for the life of this agreement", since Article XIV contains no time limiting language as do other clauses such as Article V.A., it seems clear beyond all argument that the life of the agreement, as defined by Article XIII, necessarily applies with full force and effect to Article XIV. If it were the intention of the parties to the Patent Transfer Agreement that the operative effect of Article XIV be limited to the pendency period of the transferred applications, why does the agreement not so state? The Trial Court could not and did not answer this question as blandly as Meyer would by stating that "It made more sense to tie the pendency of Article XIV to the life of the Agreement than to the period prior to the issuance of patents." Instead, obviously greatly troubled by the plain language of Articles XIV, XIII and V, the Trial Court, relying solely on the "four corners" of the Patent Transfer Agreement, could do no more than declare Article V. B. a "redundancy" and relegate Article XIII to mere "surplusage", thereby completely disregarding the words of the parties in the agreement and, in substance, inserting words not used.

Obviously troubled with the prospect of eliminating the parties language from the agreement and adding terms of its own, the Trial Court, and now Meyer, states that such "redundancy" and "surplusage" was the result of inartistic or untidy draftsmanship. (Finding of Fact No. 15, R. 1823-1824). It is indeed difficult to understand how one could reach such a conclusion from a review of the agreement itself. In a meager





effort to support this conclusion, Meyer now strenuously argues at pages 5, 18, 21 of its Answering Brief that the alleged "redundancy" and "surplusage" was the result of the poor and untidy draftsmanship by a group of approximately 25 people including the parties and their attorneys. This Court will no doubt take notice of the statistical probability that of a random sampling of any 25 people there are bound to be at least two "hit-pickers" that would no doubt catch such "untidy" draftsmanship, if that it be.

In brief summary, it is SME's contention that the Patent Transfer Agreement speaks for itself. The incomplete evidence brought before this Court in attempted support of the Trial Court's erroneous conclusions as to the meaning of Article XIV is completely irrelevant in view of Conclusion of Law No. 18. The plain language of Article XIV can reasonably lead one to no other conclusion than that IDC was prevented from competing with Meyer in the sale of machines for inspecting empty bottles for the presence of foreign particles for a period of approximately 22 years.

B. The Rules of the Cases Heretofore Cited By SME  
Control the Instant Controversy.

Meyer's first line of defense is stated as that it could not have been guilty of patent misuse because: 1. The Patent Transfer Agreement dealt with applications rather than patents; and, 2. Meyer has in no way "used" the '640 patent by way of licensing or some other vehicle of use. Turning first to the latter proposition, it is well established that there need be no "use" of a patent in the sense that Meyer would require



in order to invoke the doctrine of patent misuse; the "misuse" referred to ripens the instant the legally assertable patent monopoly is expanded beyond its lawful limits. It is the necessity for restricting the patent monopoly to the statutory grant, irrespective of the method employed in an attempted expansion, that forms the foundation for the invocation of the doctrine of patent misuse. National Lock Washer Co. v. George K. Garrett Co., 137 F.2d 255 (3d Cir., 1943). Thus, it makes no difference whether Meyer has heretofore licensed, enforced or otherwise "used" the '640 patent. It is the monopoly-expanding tendency of Article XIV, in Meyer's hands, to restrain potential competition from other non-infringing empty bottle inspection machines that brings it into conflict with established public policy. Park-In-Theatres v. Paramount-Richards Theatres, 90 F. Supp. 730 (D. Del. 1950).

As a second line of defense, Meyer cites a line of cases at p. 25 of its Answering Brief, not in point with the instant controversy, in its attempt to justify the existence of the non-compete clause, Article XIV, by demonstrating that it came into being pursuant to the sale of an asset of a business. There are two major fallacies with this argument. First, even conceding that the two patent applications transferred constituted a substantial asset of IDC, the fact remains that the Patent Transfer Agreement commemorates the passage of title of patent rights from one party to another. It was long ago held in the Motion Picture cases (243 U.S. 502 (1917)) that there is a distinct line to be drawn in evaluating the legality of general





contract transactions and evaluating the legality of transactions involving patent rights. In the former case, the legality of such transactions are, of course, governed by the general law. However, in the latter case, in view of the grave public policy affecting patent rights, the extent of a patent holder's right to protect his invention is defined and limited to the protection afforded by the patent laws. Secondly, irrespective of the manner of acquisition of patent rights, the cases have established that the law will not condone, by contract, or otherwise, the expansion of the patent monopoly beyond the allowable statutory limits.

As its third line of defense, Meyer contends that the cases cited by SME, and the case of McCullough v. Kammerer Corp. decided by this Court in particular, do not support the proposition that Meyer has misused the '640 patent in the manner contended by SME. At page 27 of its Answering Brief, Meyer gives its reasons for such contention as: first, the cases cited involve issued patents rather than patent applications; second, they involve licensing agreements or distributorship contracts rather than an outright sale of a patent; third, they primarily involved restrictions imposed by the licensor of the patent as a condition of using his patent rather than by the licensee; and finally, the restrictions involve products other than those covered by the patent rather than the very product covered by the patent applications.

With respect to the first of Meyer's contentions, it appears that if Meyer had acquired the issued '640 patent pursuant to the Patent Transfer Agreement, Meyer would accept





the applicability of the cited cases to a question of patent misuse arising therefrom. The absurdity of this distinction is evident in that Meyer would now ask this Court to condone in the transfer of a patent application that which it would not condone in the transfer of a patent. In other words, Meyer would now have this Court adopt the absurd position that while restrictive covenants of the type here concerned amount to an illegal expansion of the monopoly granted pursuant to an issued patent, an expansion of that patent monopoly to an even broader extent to include the pendency period of a patent application is to be condoned. It seems clear beyond all argument that the same practice that is struck down when coupled with an issued patent cannot be allowed to stand when that practice is coupled with nothing more than an inchoate patent right, a right which has not yet even gained the protection afforded by the statutory patent laws.

Turning to Meyer's second contention, it appears that if the Patent Transfer Agreement had encompassed only a license of the '640 patent rights, the cases decided by this Court would be directly applicable. In its main brief, SME has clearly demonstrated that there is no recognizable legal difference between the transaction encompassed within the Patent Transfer Agreement and an exclusive license of the patent applications.

As to Meyer's third proposition, from the language thereof it appears that Meyer argues that while restrictions imposed by a grantor may not be condoned, in some way the



underlying public policy is not offended if the grantee imposes the same restrictions on the grantor. The baselessness of this position is manifest. As stated at pages 47-49 of SME's main brief, anti-competitive restrictions on the grantor have the same or worse prejudice to the public as restrictions on the grantee. In terms of the objectives of the patent laws of advancing technological development, if the grantor, the source of inventive contribution, is removed from the competitive arena, the effect on the public is even worse than where the grantee is restricted. Where restrictions are imposed by the grantee on the grantor, no one benefits except the grantee. It is submitted that whether the cases cited strike down restrictions imposed by the grantee or grantor of patent rights is relatively immaterial; in either case, the evil sought to be prevented is the unlawful expansion of the patent monopoly at the expense of the public's entitlement to free competition.

As to Meyer's fourth proposition, whether or not the restrictions involved in the Patent Transfer Agreement over products other than those covered by the transferred applications is, of course, a question to be decided by this court upon its reading of the face of the instruments in question.

At page 27 of Meyer's brief, Meyer attempts to distinguish the McCullough v. Kammerer Corp. case on the ground that "The Court gave no hint that, if the licensor's covenant had stood alone, there would have been finding of patent misuse." Of course, whether this Court did in fact give that hint is up to this Court to decide. However, in view of the following language quoted from the McCullough case at 166 F.2d, p. 762, it appears that this Court did indeed give a very strong "hint"





that a licensor's covenant not to compete would constitute patent misuse under the circumstances described in this case:

With regard to the licensor's agreement with the licensee to make more certain the licensee's profit by extending the monopoly area by excluding itself from making, using, renting or licensing competitive cutters, such a patent monopoly extension by the agreement of the licensor has the same prejudice to the public as the restricting agreement of the licensee....

For the reasons stated hereinbefore, and more exhaustively set forth in SME's main brief, it is contended that the McCullough case sets forth legal principles directly applicable to the instant case establishing Meyer's misuse of the '640 patent.

Finally, Meyer relies upon the argument that the agreement of June 23, 1966 effectively purged any misuse, if any, there be. As its main contention, Meyer states at page 29 of its Answering Brief that Article XIV was ineffective after the '640 patent issued because the patent then precluded manufacturing the machine covered by the patents. This, of course, presupposes the erroneous meaning attributed to Article XIV by Meyer and adopted by the Trial Court. Furthermore, as demonstrated in SME's main brief, Meyer has made no effort to dissipate the effects of a seven year restriction. Meyer attempted to show that Calhoun and Browning have continued to invent new devices, including several for the inspection of bottles. The fact remains, however, as found by the Trial Court, neither Calhoun nor Browning nor any company with which they are, or have been, associated since the execution of the





Patent Transfer Agreement, has manufactured or sold a machine for inspecting empty bottles for foreign particles. (Finding of Fact No. 20, R. 1825) Further, all improvements in such machines and other inventions made by Calhoun, Browning or IDC, Ltd. relating to electronic applications in the bottle inspecting industry have either passed directly to Meyer royalty free or have been marketed by Meyer. (Finding of Fact No's. 21, 23, 24; R. 1825-1826; R. 1827-1828) During the same period, however, Wyman, untrammelled by the restrictive effects of the Patent Transfer Agreement, has developed and marketed a successful empty bottle inspection machine.

Summarizing briefly, the cases cited by SME in its main brief establish the proposition that the expansion of the patent monopoly beyond its statutorily defined scope is not to be condoned irrespective of the means employed. More specifically, where, as here, an agreement is made pursuant to the transfer of patent rights whereby the inventor of the patent in question is removed from competition with the grantee in the field covered by the patent, such agreement goes far beyond the scope of the lawful patent monopoly. For these reasons, the extraction of Article XIV pursuant to the transfer of rights in the '640 patent renders such patent unenforceable.

## II.

THERE IS AMPLE BASIS IN THE RECORD AND LEGAL PRECEDENCE FOR DISTURBING THE TRIAL COURT'S RULING ON FEES AND COSTS.

SME has heretofore in its main brief exhaustively set forth the legal bases upon which its request for attorney's



is now based. To reiterate briefly, it is SME's contention that by virtue of Meyer's misuse of the '640 patent; its fraud upon the Patent Office in withholding relevant prior art; and Meyer's prosecution of a patent containing invalid claims presented more than one year after a prior public use or sale, Meyer has demonstrated such unfairness and bad faith that it is just that SME bear the burden of its costs of litigation.

A. Meyer's Fraud on the Patent Office

Meyer has attempted to rebut SME's contentions of fraud on the Patent Office in its withholding of relevant prior art by contending: 1) That the Stoate '229 patent is not relevant because it does not include teachings of "spatial filtering"; and, 2) That SME failed to prove that Meyer's attorneys are convinced of the relevance of such prior art.

Turning to the first contention, upon review of SME's Answering Brief in Case No. 22592-A, it becomes painfully obvious that, even assuming but not admitting that Stoate '229 does not teach "spatial filtering", the '640 patent neither uses nor contemplates any such term. Again, Meyer has done nothing more than insert issues which serve only to obfuscate the true issues before this Court. Clearly, if neither the term itself nor any reference to "spatial filtering" is to be found in the '640 patent, whether or not Stoate '229 teaches "spatial filtering" in addition to the concept of a centered optical system is irrelevant to the question of whether or not such patent is anticipatory prior art with respect to the '640 patent. The Trial Court specifically found that the Stoate '229 patent was relevant to and anticipated the claims of the '640 patent.





(Finding of Fact No's. 11, 15 (a), R. 1942, 1944) Yet Meyer contends, at p. 43 of its Answering Brief, that since it was not cited by the Patent Examiner, Stoate '229 was not pertinent. The untenable position reached in the logical extension of such a contention is that no prior art could be relevant unless cited by the Applicant or an Examiner during prosecution.

Turning to Meyer's second contention, the question of whether or not Meyer's Los Angeles attorneys were convinced of the relevance of the Stoate '229 patent is irrelevant to the issue of fraud. As stated at page 43 of Meyer's Answering Brief, "... the Stoate patent in question came to the attention of Meyer's Milwaukee patent attorneys who were in charge of prosecuting the British patent application,..." It is SME's contention that in failing to find that Meyer had perpetrated a fraud on the Patent Office, the Trial Court erroneously relied upon the statement of the Los Angeles attorneys' representing Meyer at trial, that they were not convinced of the relevance of the Stoate '229 patent, a statement wholly irrelevant to the question of whether Meyer itself was aware of the patent. The question of Meyer's fraud on the Patent Office centers around Meyer's knowledge of the Stoate '229 patent and not on the knowledge of the attorneys prosecuting the United States application, i.e., the application for the '640 patent. By Meyer's own admission, Meyer was aware of the existence of the '229 patent. The Trial Court considered it relevant to the teachings of the '640 patent. Thus, there is ample evidence before the Trial Court that would sustain the conclusion that Meyer had practiced a fraud on the Patent Office by not citing





or bringing to its attention the Stoate '229 patent. Yet, instead of turning to such evidence, the Trial Court relied upon the irrelevant non-evidentiary statement of one of Meyer's attorneys as the sole support for its conclusion. It is this error, combined with the evidence before the Trial Court, upon which SME bases its contention that the Trial Court's findings were clearly erroneous. SME has no burden whatsoever to prove that Meyer's attorneys were convinced of the relevance of the teachings of the Stoate '229 patent.

Turning to Meyer's misrepresentation of the commercial success of machines corresponding to the claims of the continuation application, SME apologizes for its perhaps over-amplifying use of the word "stipulation" in reference to the absence of controversy over the number of bottling plants to which Meyer could have sold its machines. (SME Main Brief, p. 79) Despite Meyer's objection to the use of the word, the record clearly demonstrates that there was no dispute over the figures themselves. Despite the figures stated, Meyer now blandly points to the Trial Court's finding of commercial success in justification of its statement without any attempt to relate that finding to either the time element involved or the basis for such alleged success. It surely cannot be said that such off-hand attempts at substantiation will now rectify the adverse effect of the representation.

#### B. Late Presented Claims

At pages 87-93 of its main brief, SME has extensively analyzed the manner of, and the extent to which, the invention claimed by the claims first presented during prosecution of the



continuation application differs from that invention defined by the fourteen allowed claims of the parent application. Yet Meyer has directed no part of its Answering Brief to a rebuttal of the facts presented. Instead, it has chosen to rely upon (1) SME's failure to submit findings of fact directed to the issue of late presented claims to the Trial Court; (2) a misinterpretation of the case of Muncie Gear Works v. Outboard Marine and Mfg. Corp., 315 U.S. 759, 62 S. Ct. 865 (1942); and (3) the fallacious reasoning that the "omnibus", or catch-all, claim No. 15 filed with the parent application ties the invention claimed in the continuation application to the original disclosure of the parent application.

Turning to the first of Meyer's propositions, while the Trial Court had before it all of the evidence and "vigorous" arguments by both parties, it expressly declined to consider the issue of late presented claims. In view of the Trial Court's explicit language, and the duties of accurate reflection imposed on counsel directed to prepare findings of fact and conclusions of law, it would have been futile, if not improper, for SME to present detailed findings and conclusions on the issues of Meyer's late claiming. (Tr. 2612-2613; R. 1866-1867)

As to Meyer's second proposition, it appears that Meyer interprets the Muncie Gear case, and cases following it, as being limited to the negatively stated rule that if the description portion of a specification and the drawings remain unchanged, later added claims are valid irrespective of the essence or breadth of the late claims. It is submitted that such an interpretation is wholly erroneous; the clear inquiry





demanding by the Muncie Gear case and cases following is whether or not the essence or focal point of the invention defined by the late claims may be fully deduced from the earlier disclosure taken as a whole-description, drawings and claims. It is not enough that the description and the drawings remain unchanged from the original disclosure; if the late claims define an invention not fully disclosed by the earlier filing, the late claims may not be accorded the earlier filing date. Pursche v. Atlas Scraper and Engineering Co., 300 F.2d 467 (9th Cir., 1961); Chicopee Mfg. Corp. v. Kendall Co., 228 F.2d 719 (4th Cir., 1961).

Finally, Meyer attempts to remove itself from the operation of the Muncie Gear doctrine by contending that by virtue of the unchanged description and drawings, and the "omnibus" claim No. 15, the scope of the invention stated in the parent application "... extended to and included the matter covered in..." the continuation application. (Pursche v. Atlas Scraper and Engineering Co., 300 F.2d at 477) Much has been written about the substantive effect of "omnibus" claims such as that quoted at p. 55 of Meyer's Answering Brief -- but not in recent years. It is now clearly established that they are non-statutory claims which fail to particularly point out any asserted invention and may be cancelled unilaterally by an Examiner's amendment pursuant to 35 U.S.C. §112. Manual of Patent Examining Procedure, §706.03 (h). More specifically, in response to the question "Does a claim such as 'the invention substantially shown and described' protect against the late-claiming problem?", Mr. William E. Schuyler, Jr., an eminent patent law practitioner and then Chairman-Elect, Patent, Trademark and Copyright Section,





American Bar Association, stated: "...it is my own opinion that an omnibus claim of the type mentioned would not help in the late-claiming problem." The Art of Drafting Patent Claims, p. 46 (Practising Law Institute, 1966, edited by J. G. Jackson, G. M. Morris) In short, the "omnibus" claim adds absolutely nothing to either the scope or breadth of an asserted invention defined by other disclosed claims and is an unacceptable method of claiming. Yet, astonishing as it may seem, Meyer is now contending that the omnibus claim No. 15 provides an otherwise absent antecedent support for the greatly expanded and newly inventive claims added during prosecution of the continuation application.

For the reasons stated in its main brief, and in view of the cases cited therein, it is submitted that Meyer's reliance on the knowingly late presented claims of the '640 patent amount to such bad faith as to warrant an award of attorney's fees to SME.

### III.

#### Conclusion

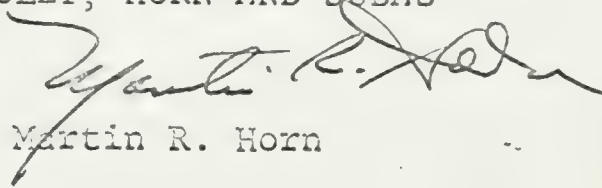
The Trial Court interpreted the Patent Transfer Agreement from its "four corners" without regard to any extraneous evidence. Whether or not the Trial Court correctly interpreted the agreement is purely a question of law neither requiring nor admitting of the presentation of irrelevant extraneous evidence to this Court. In view of all of the express language used by the parties to the Patent Transfer Agreement, Article XIV can only have the plain meaning herein contended for by SME. To the extent that purported findings of fact state the opposite conclusion, there are clearly erroneous



as a matter of law. In view of the plain meaning of Article XIV as a boiler plate non-competitive clause, and the cases cited in SE's main brief, as a matter of law Meyer has misused the '640 patent without benefit of a redeeming purge of the effects of the misuse. Having this proceeded in bad faith upon patent rights fraudulently obtained and invalid from their inception, Meyer should be made to bear the burden of this expensive litigation; a burden which may be imposed with equal facility by this Court or the court below on remand of the proceedings.

Respectfully submitted,

SPENSLEY, HORN AND JUBAS

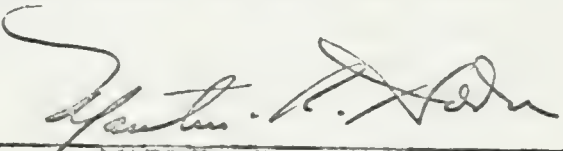
A handwritten signature in dark ink, appearing to read "Martin R. Horn", written over the typed name.

By: Martin R. Horn



CERTIFICATE

I certify that, in connection with the preparation of this Reply Brief, I have examined Rule 28 of the Federal Rules of Appellate Procedure, and that, in my opinion, the foregoing Reply Brief is in full compliance with that Rule.

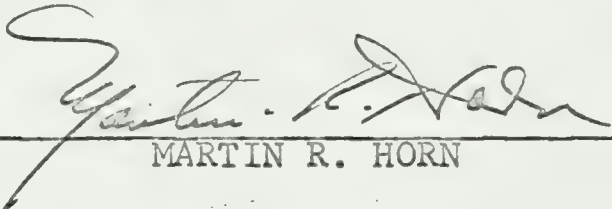
  
\_\_\_\_\_  
MARTIN R. HORN





AFFIDAVIT OF SERVICE

The undersigned hereby certifies that three (3) copies of the within Brief were this 31st day of July, 1968, served upon Ellsworth R. Roston, Esq. of Smyth, Roston and Pavitt, Attorneys for Cross-Appellee, by enclosing the same in a postpaid wrapper addressed to said attorney at Suite 320, 4262 Wilshire Boulevard, Los Angeles, 5, California, and depositing the same in the United States mail.

  
MARTIN R. HORN



No. 22592-A

IN THE  
UNITED STATES COURT OF APPEALS  
FOR THE NINTH CIRCUIT

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GEO. J. MEYER MANUFACTURING )	
CO., a Wisconsin corporation, )	
	No. 22592-A
Appellant, )	
vs. )	
SAN MARINO ELECTRONIC )	
CORPORATION, a California )	
corporation, )	
Appellee. )	

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Appeal from the United States District Court  
for the Central District of California

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APPELLEE'S BRIEF

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FILED

JUN 17 1969

WM. B. LUCK



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## I. INTRODUCTION

This case involves the alleged infringement of U. S. Patent No. 3,133,640 owned by the defendant-appellant.

The statement of facts which follows are presented in several parts. In parts A, B and C there is set forth a statement of facts. Following this there is a section D entitled Facts Which Are Controverted by the plaintiff-appellee (or which were presented by the appellant but not supported by the record). Emphasis will be placed in presenting evidence which supports the trial court's Findings of Fact and Conclusions of Law relating to the issues of validity and infringement since the appellant's brief does not discuss the evidence on both sides where it disagrees with the Court's findings.

## II. STATEMENT OF THE CASE

### A. Facts Relating To How Present Suit Came Into Being

The plaintiff, San Marino Electronic Corporation is a small California corporation having its principal place of business in El Segundo, California. Plaintiff's corporation was organized in late 1962 to manufacture and sell an empty bottle inspection machine which was first placed on the market in early 1963. The first of such machines was designated as Model 303. Just prior to the trial in January, 1967, plaintiff began the manufacture and sale of another empty bottle inspection machine designated as the Slimlite. During the trial it was stipulated that the optical and electrical design in the Slimlite machine was sufficiently similar to the Model 303 machine and



that the question of infringement of both machines could be determined solely by reference to the Model 303 machine. To date these are the only products of the plaintiff-appellee. In May, 1964, the patent in suit issued to defendant-appellant and in August, 1964, appellant placed plaintiff and its then principal customer Crown Cork & Seal Company on Notice of Infringement of the patent. In October, 1964, plaintiff-appellee brought the present suit for declaratory relief and the appellant counterclaimed for patent infringement.

In September, 1967 pursuant to a request by the trial court the parties agreed to separate plaintiff's claim of patent misuse for trial from the issues of infringement and validity for purposes of trial.

The patent misuse trial occurred in September, 1967 and resulted in a finding on this issue for the defendant.

In January, 1967 trial was held on the issue of infringement and validity of the patent in suit. The patent in suit includes 24 claims. Prior to the trial the parties agreed to withdraw Claims 1-6 from issue. During the trial counsel for defendant stated that a formal disclaimer of Claim 16 of the patent in suit had been filed with the United States Patent Office. Thus, only Claims 7-15 and 17-24 were litigated. The trial court found each of Claims 7-15 and 17-24 not infringed and invalid by its order of judgment of October 10, 1967 (R. 1938 through R. 1958).

Defendant filed a notice of appeal on November 6, 1967 from the Court's finding of non-infringement and invalidity and



granting to plaintiff of its costs and the infringement and validity portion of the trial. In November, 1967 plaintiff cross appealed from the trial court's failure to find patent misuse, the award of costs to the defendant as to the misuse portion of the trial, and the failure of the Court to award plaintiff its attorney's fees.

The appellant George J. Meyer Manufacturing Company is a Wisconsin corporation having its principal place of business in Milwaukee, Wisconsin, but it also has other places of business in other cities of the United States and abroad as well as in Los Angeles county. Defendant was organized in 1904 and does an annual business of approximately \$35,000,000.00. Appellant manufactures an entire line of bottle handling equipment used by soft drink, beer and milk bottling companies. Among the equipment manufactured and sold by the appellant are washing machines, encasing machines, bottle sorting machines, labeling machines and empty bottle inspection machines. Appellant's empty bottle inspection machine designated Mark IV has been marketed by it since late 1959. Prior to that time, the appellant did not have an empty bottle inspection machine in its line. In 1959, a small company called Industrial Dynamics Corporation was manufacturing and selling the Mark IV machine which it had itself developed. In September, 1959, appellant had transferred to it rights under the only two patent applications of Industrial Dynamics Corporation relating to empty bottle inspection machines. One of those patent applications was the parent patent application upon which a continuation patent application Serial No.





0753 was based (Ex. 41). This continuation patent application which was filed in October, 1960 resulted in the issuance of the patent in suit in May, 1964.

Commencing in early 1958 Industrial Dynamics Corporation designated the Mark II machine. This machine was made substantially in accordance with the teachings of the patent in suit. (Tr. 475) In 1959 prior to the transfer of the two patent applications by Industrial Dynamics Corporation to the defendant, Industrial Dynamics Corporation filed a patent application which resulted in the issuance of patent No. 3,081,666. This patent is the one which describes the Mark IV machine.

The alleged invention of the patent in suit is for an electro-optical system together with associated electronic circuitry for use in commercial bottling plants to inspect empty bottles, to determine the presence of dirt in such bottles. Machines for the very same purpose had been manufactured and used in various bottling plants long prior to 1958.

#### B. Operation Of The 3,133,640 Machine

The patent in suit discloses an empty bottle inspection machine which automatically will remove a bottle found to contain dirt from a bottle conveyor line. The machine is constructed so as to be initially set to the bottle reject position; thus, the bottle being inspected will automatically be rejected unless a signal is produced indicating that the bottle is clean. This aspect of the design of the machine described in the patent in suit is claimed in Claims 1-6 and were not at issue at the trial and are not at issue in this appeal.



The means for determining the presence of dirt in the bottle being inspected as described by the patent in suit includes an arrangement of a light bulb directly below the bottle to be inspected. Above the bottle is disposed a rotating cylinder having a lens and a reticle. The reticle consists of a disc having alternate radial and opaque and transparent areas of equal size and configuration so that 50% of the disc is rendered opaque and 50% of the disc is transparent to the light reaching the reticle. A motor and appropriate drive means are provided to rotate the cylinder above the bottle at a predetermined rotational speed. Above the reticle there is placed a photocell to receive the light passing from the light bulb through the bottle and reticle in that order. The photocell receives variations in the light signal as the reticle rotates to indicate the presence of a dirt particle in the bottle. These variations are processed by the electronic circuitry to accept or reject the bottle. The patent specifically states (column 1, lines 19-22):

"The general concept of inspecting bottles by passing a light therethrough and having a photocell, the output of which is indicative of the state of cleanliness of the bottle, is well known and has been used extensively."

And at column 1, lines 27-28 the patent specifically states that it merely constitutes,

". . .an improved inspection system over those presently available."

At the trial, plaintiff contended that its patent was a basic patent, likening it to the Wright brothers' invention of



the airplane (Tr. 5).

The '640 patent involves two basic parts, the optical system and the electronic system. The optical system consists of the following, a light bulb over which there is placed a rotatable cylinder. Between these two elements, and in line therewith, is what may be designated as the bottle inspection zone. The bottle is positioned between the light bulb and the rotatable cylinder. The axis of rotation of the rotatable cylinder is in line with that of the bottle. The rotatable cylinder has a reticle fixed therein near its upper end. The reticle is a disc divided into fourteen equally spaced pie shaped segments alternatively opaque and transparent to light. A motor and drive pulley is employed to rotate the cylinder which carries the reticle. Directly above the reticle there is fixed a photocell to receive the light passing from the bulb through the bottle being inspected thence through the reticle.

The electronic system consists of a D.C. amplifier which receives a signal directly from the output of the photocell. The output signal from the D.C. amplifier is connected both to the input of a first flip-flop circuit and to a gating circuit. The first flip-flop circuit is in turn connected to a reject control tube. This reject control tube operates a solenoid which mechanically removes a bottle containing dirt from the line of bottles being inspected. The output signal from the gating circuit is connected to a second amplifier which is an A.C. amplifier turned to a particular frequency whose output is in turn fed to a detector circuit, the output signal from





the detector circuit is connected to the input of a second flip-flop circuit. The output from the second flip-flop circuit is connected to the input of the reject control tube as is the output from the first flip-flop circuit.

The rotatable cylinder is rotated by a motor which in turn causes a rotation of the reticle housed within the cylinder. The total amount of light falling on the photocell in the absence of a particle of dirt is equal to half the amount of light passing through the bottom of the bottle and the lens. This is so because half the area of the reticle is opaque to light and half transparent. This is true whether the reticle is rotating or is stationary. The electronic system may be viewed as including two sub-systems, a D.C. sub-system and an A.C. sub-system. If the total amount of light reaching the photocell is less than a predetermined level indicated by the D.C. acceptance level line, the D.C. system will retain the presumption and, therefore, the bottle will be rejected. This D.C. rejection may be caused by a "large object" in the bottle, a cap being situated on the crown of the bottle, a very dark bottle, a faulty bulb or the like.

The A.C. system is necessary to detect the presence of a "small dirt particle", even though the D.C. signal level is not appreciably reduced by the presence of the small particle. If a small particle of dirt is present in the bottom of the bottle the amount of light reaching the photocell will vary repetitively as the image of the foreign particle will intermittently coincide with the opaque and transparent sectors of the reticle. Less



light will pass through the reticle to the photocell repetitively as the particle alternatively appears and disappears in the transparent and opaque sectors. These repetitive signals are fed into the tuned amplifier (after first having gone through the D.C. amplifier and gating circuitry) and results in an A.C. signal which causes rejection of the bottle. The A.C. signal is produced as explained hereinbefore by the repetitive signal from a small particle being scanned by the multi-spoke reticle thus producing an A.C. signal of a particular frequency. (See column 4, line 56-60 of the patent.) The particular frequency which is given by way of an example on the patent is 1,099 cycles per second (rather than 1,199 as is mistakably set forth in the Brief of the appellant, page 60). The 1,099 cycles per second is the product of 157 revolutions per second times the 7 pair of spokes. The output signal of 1,099 cycles per second is detected by a detection circuit whose output, if it is above a predetermined amplitude, will switch the second flip-flop from its normal acceptance position state to its reject state. The second flip-flop output in turn will then be applied to reject tube 47 causing it to fire (i.e., to become conducting) when the bottle leaves the inspection zone. The firing of tube 47 operates a solenoid which (in a manner not described in the patent) causes the bottle to be rejected. The output signal from the solenoid serves to reset both the first and second flip-flops to the accept stable state. If no A.C. signal of the predetermined frequency is detected, the second flip-flop circuit remains in its accept state and the bottle will pass unless



the first flip-flop is in its reject state at the time the bottle is in the inspection zone.

Perturbations caused by irregularities in the system will cause a photocell to receive alternating current signals of a frequency different from that determined by the number of spokes in the reticle times the speed of rotation of the reticle. Since the tuned amplifier rejects or greatly attenuates all but the predetermined frequency to which the amplifier is tuned, the tuned amplifier will only produce an output signal indicating the presence of a particle of dirt and will not produce a signal caused by the bottle irregularities. If a dirt particle is centered in the bottle no rejection will occur as there will not be a signal produced because there will not be a variation in the amount of light as the reticle rotates.

The above operation of the '640 patent was explained by John Ryde in his testimony in connection with Exhibits 61 and 65 commencing at Tr. 1416, line 24 through Tr. 1467, line 9. Plaintiff's Exhibits 70 through 79 also help explain the operation of the '640 patent as contrasted to the appellee's system and were all testified to by Mr. John Ryde, one of the expert witnesses called by appellee.

### C. Operation Of The Appellee's Machines

A vertically disposed bottle is directed over a light source. In this position (called the inspection zone) the bottle is disposed beneath the optical portion of an inspection head. The inspection head consists of a centrally located focusing lens which is aligned with the axis passing through





the bottle at the instant in time when the bottle is centrally located in the inspection zone. The bottle is moved through the inspection zone during inspection which results in detecting the presence of a dirt particle from anywhere between the center of the bottle up to the edge or periphery of the bottle. Directly above the lens there is located a rotating mirrored line on the surface of a rotating aluminum cylinder whose axis of rotation is oblique to the axis of the lens and the bottle. The axis of rotation of the mirrored line intersects the axis of the bottle and lies outside of the bottle. The mirrored line is concave and functions as a lens so that an image of the lens aperture and hence the vicinity of the neck of the bottle is focused upon the photocell.

The mirrored line is connected to a motor for rotating the same at 12,000 rpm (200 rps). The mirrored line is a radial stripe  $1/32$ " wide by  $15/16$ " long. The optical axis of the mirror and the rotational axis of the mirror are displaced one from the other by a distance equal to the radius of the photocell approximately  $1/8$ ". The offset of the axis of rotation introduces a rotation along with the fact that the relative area of the photocell and the image of the neck of the bottle which are different, enables the stationary photocell to scan the neck region of the bottle, the remainder of the bottle is scanned by the rotating mirrored line.

Electrical circuitry is provided to receive an output signal from the photocell and from switch means for determining the fact that a bottle is in the inspection zone. In the



absence of a signal generated by the photocell either due to a dirt particle in the bottom of the bottle or in the vicinity of the neck of the bottle, the bottle will be passed through the inspection zone and be deemed a clean bottle. If the bottle is found to contain an object of foreign matter there will be produced an electrical signal which will energize the relay which activates the solenoid device which directs the bottle off the conveyor line.

The plaintiff's machines' electrical circuitry operate in the following manner: The electrical signal supplied to the circuitry by the photocell is at each instant proportional to the light striking the photocell. All the light striking the photocell arrives via the reflecting stripe on the mirror and the mirror is rotating. The instantaneous light striking the photocell is governed by the transmission characteristics of a corresponding radial stripe passing through the bottom of the bottle. Further, since the light must also pass through the neck region of the bottle, the portion of the neck region of the bottle that is instantaneously being viewed by the photocell is also determined by the rotation of the mirrored line. Thus, the instantaneous amount of light reaching the photocell can be modified by the presence of foreign matter in the neck of the bottle. When foreign matter is present in the bottle either at the bottom or in the vicinity of the neck region, there will result an abrupt change in level of light received by the photocell at the instant the reflecting stripe first crosses the image of the foreign particle and at the instant the reflecting stripe





completes its passage over the particle. The manner in which the bottom and neck scan occurs as mentioned hereinabove was explained by Mr. Husome in his direct testimony at Tr. 1059 to 1088, especially in connection with Exhibits 61, 62 and 64.

A change in the level of the amount of light received by the photocell can also occur because of non-uniform transmission of light by various portions of the bottom of the bottle due to varying thickness of the bottle, uneven distribution of the die in the bottle glass, nomenclature and stippling molded in the bottom of the bottle and other glass imperfections. These imperfections are rather blurred and ill-defined as compared to changes brought about by discrete foreign particles and, hence, result in more gradual light level changes (as opposed to abrupt light level changes caused by dirt particles). The electrical signal received from the photocell will, therefore, contain information about the transmission characteristics of the glass and any contents in the bottle either in the bottom or the neck hereof. The average level of signal from the photocell would indicate the average transmission characteristics of the bottle bottom and neck regions. Any perturbations in this average signal indicate non-uniformity in the bottle as seen by the photocell. Irregularities in the signal from the photocell caused by true foreign particles are characterized by particularly abrupt changes in the average light level. It is only abrupt changes which effect the SME circuit devices. The circuit performing this function may be characterized as a slope detector. (See Griest's testimony at Tr. 2169).





D. Additional Facts In Contravention Of Those Presented  
By Appellant In Its Brief

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1. At page 6 in sub-paragraph 1 of its Brief appellant indicates that the Meyer Mark IV machine incorporates the features of the patent in suit. What this fails to state is that the Meyer Mark IV machine incorporates certain features of the 3,081,666 patent, one which was in suit but which was subsequently dropped from the suit, and also the invention by Owens Illinois for the bottle handling mechanism, the latter being a most important factor in what was subsequently truly a commercially successful machine. It was this bottle handling mechanism which is not described or claimed in the patent which mechanism was designed and patented by the Owens Illinois Co. This is supported in the record at Tr. 1057, line 19 through Tr. 1058, line 5.

2. In sub-paragraph 2 on page 6 of its Brief, appellant states that the Barry-Wehmiller machine employed the same concepts as the '640 patent. This alleged fact is apparently presented by the appellant in an effort to lend some credence to its concept proving infringement by the appellee of the patent in suit through a "derivation" theory. It would seem that whether or not the Barry-Wehmiller machine employed the "same concept" as does the '640 patent, is irrelevant to any consideration of the infringement of the plaintiff's machines. Clearly, the place to try the possible question of infringement of the patent in suit by the Barry-Wehmiller machine, would be



in a suit between those parties and not the present litigants. Additionally, an examination of Ex. AT and Ex. AU taken together with Calhoun's testimony (Tr. 627-630) shows clearly that no reticle (regardless of the number of spokes or their shape) is employed in the Barry-Wehmiller machines.

3. In the first full paragraph on page 8, appellant in its Brief states that an Ex. AA was a physical embodiment of the patent in suit. Both Dr. Griest and Mr. Ryde testified at the trial that such was not the case. See Griest's testimony at Tr. 2111-2119. In particular, attention is directed to 2118, line 16 through 2119, line 2 which reads:

"THE COURT: Do you agree with any part of what he said, I take it to be.

THE WITNESS: No, I do not agree with it. As I say, I am not -- I don't know that I am aware of what the demonstration equipment was supposed to demonstrate. I do not agree as I would understand substantially the term 'substantially.' I would not agree that either circuit represents substantially the circuit it was stated to represent.

THE COURT: All right."

Attention is also directed to Mr. Ryde's testimony on cross-examination as it bears upon this point beginning at Tr. 1695, line 9 to Tr. 1696, line 12 and also his direct testimony commencing at line 15 of Tr. 1613 through line 20 of Tr. 1623 and especially Tr. 1614, lines 20-25 wherein Ryde testified:

"BY MR. HORN:

Q. Would you agree with the statement that the upper circuit, the circuit which is indicated as being 'LC Tuned' is made substantially in accordance with the teachings of the circuit shown in the '640 patent?

A. No, I would not agree."





4. Beginning at line 9, page 9, of the appellant's

Brief, it states:

"The examination of the bottle continues through the period of time during which the center of the bottle is being conveyed. . ."

(emphasis added)

and it goes on to state in the next sentence:

"It is one of the features of this type of scanning device that the bottle does not have to be exactly centered at all times. . ."

This sort of statement which appears elsewhere in the Brief of the appellant, as well as other points discussed in this section of appellee's Brief, finds absolutely no support in the patent. Whether the machine which the Meyer Company has manufactured and sold, designated the Mark IV, in fact incorporates the type of mechanism referred to at page 9 of the appellant's Brief, should be determined from the patent only. Even if reference is made to the testimony in this regard by Mr. Calhoun, it would seem that the following excerpt would be of interest (lines 14-19 of the Tr. 476) wherein he volunteered:

"A. Yes, basically, because what this allowed us to do, your Honor, was to examine the continuous field without moving the bottle. As you can see, you do not have to move the bottle, and this is basically or almost identical to the principle used in the Mark IV bottle inspector that is now being marketed." (emphasis added)

5. Commencing with the second full paragraph on page 10 of its Brief (and thenceforth many times elsewhere) appellant seeks to draw an equivalence between the term alternating





current electrical signal (A.C.) and pulse merely by using the terms in the alternative. The basis for such an equivalence is not found in the patent. Again, the touchstone for the determination of the scope of the claims of the patent in suit should be its claims as interpreted in light of the specification, drawing, and file history and not based upon hindsight in view of the operation of plaintiff's machines. The equivalence of A.C. to pulse (while testified to by the appellant's witness, Mr. Calhoun) is certainly not something to be accepted as a fact. The non-equivalence of these two types of electrical signals especially as they relate to the patent in suit were testified to at length by both of plaintiff's experts, namely Mr. John Ryde and Dr. Griest. (See Tr. 1504, line 1- Tr. 1507, line 25 and Ex. 92 together with Mr. Ryde's testimony relating thereto, namely Tr. 1651-1660; Also see Dr. Griest's testimony on this point, Tr. 2098, line 14 to Tr. 2100, line 3).

Mr. Williams, one of the co-inventors of the '640 patent, whose testimony at the trial was introduced by deposition, testified at Tr. 1592, line 22 to Tr. 1593, line 19; that the plaintiff's machines pulse slope detection operation is different electronically from the '640 patent.

6. At line 1 on page 13 of appellant's Brief mention is made of "spatial filtering" as being an important aspect somehow of its invention. Here again, "spatial filtering" is not mentioned in the patent either in the specification, the claims, the drawings, or the file history. This "fact" should



Therefore not be considered relevant to any consideration before the Court.

7. At line 10, page 19 of its Brief, appellant makes mention of another term which does not find any support in the specification, drawings, claims, or file history of the patent in suit. This term is "frequency discrimination." Thus, this supposed fact again is one which is irrelevant to any issue in this case.

8. In the first full paragraph on page 21 of appellant's Brief mention is made of the fact that it took several months to provide a system that would operate successfully. The implication seems to be here that this difficulty centered about the scanning system. In this connection contrary evidence was presented by the plaintiff (see the testimony of Mr. Calhoun, Tr. 476-478, wherein he testified the difficulty centered around the mechanical handling system, an aspect which is not described or claimed in the patent and, therefore, had nothing to do with the difficulties in connection with the supposed invention described and claimed in the patent; also see Wyman's testimony at Tr. 2349.) Further, in this connection John Ryde testified at Tr. 1693 that the amplifier system, in particular the scanning aspect of it, was very simple to design and was routine.

9. At page 22 of its Brief in the paragraph entitled, "Other Techniques and Alternative Devices Considered and Tested by the Inventors" appellant makes reference to testimony wherein it is claimed that the inventor had tried reticles having only a single transparent segment and a single opaque segment





prior to filing of their patent application. Williams testified that a single spoke had never been tried (his deposition at page 91, Tr. 71) and such is not mentioned in the patent; and as a matter of evidence, John Ryde testified at Tr. 1538 that such is inconsistent with the teaching of the patent and the Court so found. Here again, the question should be what is in the patent and not what it is that the appellant would like to have read into the patent in view of the design of the plaintiff's machine.

10. Toward the bottom of the only full paragraph on page 25 of appellant's Brief, appellant states that the San Marino machines still have a dead spot in the center. While there is no doubt that there was testimony to this effect by the one witness presented by the appellant (Mr. Calhoun), contrary evidence was presented by the plaintiff-appellee to the effect that it does not have a dead spot in the center. Such testimony was presented by appellee in the testimony of Mr. Husome at Tr. 1159-1160.

11. In the last paragraph on page 28 of its Brief, appellant again refers to the supposed equivalence between its Ex. AA and the machine of the patent in suit as well as the machine of the plaintiff. Not only is such inconsistent with the evidence and, therefore, not a fact, (see testimony of Mr. Ryde and Dr. Griest mentioned in subparagraph 3 above) but, it is submitted that they were so different that plaintiff's witness could have not guessed as to why such was presented by the appellant at the trial. (Tr. 2118)





## II. QUESTIONS PRESENTED

- A. Whether There Is Sufficient Evidence To Support The Finding Of The Trial Court That Claims 7-15 And 17-24, Inclusive Of The Patent In Suit Are Not Infringed By Appellee's Machines.
- B. Whether There Is Sufficient Support In The Record To Affirm The Court's Determination That Claims 7-15 And 17-24, Inclusive Are Invalid As Obvious Under 35 U.S.C. 103.

## V. ARGUMENT

### A. Infringement

#### 1. Introduction

Infringement evidence adduced in the trial in support of the Court's findings of non-infringement as well as other bases for supporting the Court's finding of non-infringement will be presented. As an aid to the Court, this presentation will include two tables. The first table is labeled "Support of The Record For The Court's Findings Of Fact Of Non-Infringement." The second table will be labeled "Additional Bases For affirming The Court's Findings Of Non-Infringement." The Court, in its findings of fact filed October 9, 1967, set forth in Finding 22 (R. 1947) various bases for its determination of non-infringement of certain of the claims at issue, namely claims 9, 18, 20, 21, 22, 23 and 24. The Court stated in this regard in its findings that it limited its detail discussion to those claims predicated upon defendant's counsel's stated willingness to base its case upon certain claims (Conclusion of Law 23, R. 1954).



Appellee advanced other bases for non-infringement during the trial and contends that evidence in the record supports the Court's finding of non-infringement with respect to all of the claims at issue, but only those claims which were discussed in detail by the Court are included in both tables.

Findings on the question of infringement of patents constitute findings of fact and unless they are clearly erroneous should not be disturbed. Kim Bros. vs. Hagler, 276 F.2d 259 (9th Circuit 1960).

Patent infringement is a "question of fact" and much weight should be attached in determining that issue, to the findings and opinion of the trial judge who observed the manner and demeanor of the witnesses and heard them testify. Super-Mold Corp. of California vs. Bacon, 130 F.2d 860 (9th Circuit 1942).

The claims of a patent are the measure of the scope of the invention and it is against the wording of the claims by which a Court should determine if infringement exists. Nelson vs. Batson, 22 F.2d 132 (9th Circuit 1963).

While the above is clearly an axiomatic expression of the patent law, the appellant in its Brief makes little or no mention of the wording of the claims which it discusses. Instead, an attempt is made by appellant in its Brief to approach the question of infringement in general terms. For example, at page 55 of appellant's Brief the title of the argument section therein discussed reads,



"6. The District Court Erroneously found that Plaintiff's Machines did not Infringe the Intent or the Language Expressed in the Claims"

The Brief continues on this point 6 from page 55 through page 71 without once quoting from a substantial portion of a single one of the claims at issue. The grounds for a finding of non-infringement for each of the claims discussed in detail in finding 22 are here presented, reference being made to the "wording of the claims" under consideration. The reason for the use of the two tables is that the wording of the claims, when referring to the same element, which forms a portion of the combination of elements claimed, is not consistent from claim to claim.

2. Support For Certain Of The Court's Findings Prefatory To Its Specific Findings Of Non-Infringement Of Claims In Issue

The Court in its findings of fact, made certain findings of fact 5a, 5b, 5c, 5d, 6, 7 and 8 (R. 1939 through R. 1941). Support for each of these findings will be pointed out with reference to at least certain portions of the transcript and the record in this case. For the Court's convenience all of the Findings of Fact and Conclusions of Law relative to the questions of infringement and validity are to be found in appendix A.

a. Finding of Fact 5a - Support for this is to be found in Mr. Ryde's testimony at pages 1472 and Ex. 73. Also, Ex. 92 and Mr. Ryde's testimony at Tr. 1655 through 1660. Additionally, Mr. Ryde specifically testified at Tr. 1674, that the RC networks in the '640 patent are used as couplers and not





s differentiators. This was testified to at Tr. 1474 through line 7 at Tr. 1477. Further, Mr. Ryde went on to further explain in detail his reasoning for concluding as he did in this connection. This commences at line 8 of Tr. 1477 where he testified in connection with Ex. 79 through Tr. 1490 where in addition to the other exhibits mentioned, there are introduced Exs. 78 and 80 which relate to the finding under consideration. Dr. Griest likewise testified to the following effect, Tr. 2110 lines 17-21:

"Well, in order to therefore function in the 303 machine this circuit must be a poor coupling circuit or in other words a good differentiating circuit. So that this does not work, does not couple AC currents in the customary manner."

b. Finding of Fact 5b finds support in the record by Mr. Ryde's testimony in connection with Ex. 96 which is given at Tr. 1673 through Tr. 1677 at line 15.

c. Finding of Fact 5c - Support is found in the record at Tr. 990 in Calhoun's testimony that the center of rotation and axis of rotation are synonymous and also see Ryde's testimony above referred to in connection with support for finding 5b.

d. Finding of Fact 5d - Support for this is found in the record in Ex. 54, Calhoun's cross examination at Tr. 922 and Ryde's testimony at Tr. 1538, lines 2 through 8. Further support for this is found beginning at Tr. 1538 et. seq. of the transcript.

e. Finding of Fact 6 - Support for this fact 6 is found in Ryde's testimony at Tr. 1423 et. seq. and Dr. Griest's



testimony at Tr. 2123, line 18 to line 22 of Tr. 2127 and 2169-2170 as well as Ex. 92 and Ex. 65.

f. Finding of Fact 7 - Support for finding of fact 7 is found in Mr. Ryde's testimony and exhibits testified in connection therewith which were discussed in connection with finding 5d.

g. Finding of Fact 8 - Support for finding 8 is found in Ex. 92 and Mr. Ryde's testimony at Tr. 1431 and Dr. Griest's testimony at Tr. 2123 regarding the first portion of this finding (i.e., A.C. signal of a particular frequency) and Mr. Ryde's testimony at Tr. 1548 regarding the second portion of the finding (i.e., that the reticle must have more than one opaque and transparent segment).

3. Support In The Record For The Court's Findings Of Fact Of Non-Infringement

a. Table Of Elements Of Claims

Element (1) - (See element C of Exhibit 97)

Claim 7:

"optical means for sequentially and cyclically coupling the light from different areas of the bottle to said photocell means where the different areas include the center of the bottle and progressive portions of the periphery of the bottle" (emphasis added)

Claim 9:

"rotatable means disposed relative to the container and the first and second means for directing the energy in succession from the first means to the second means along progressive segments of the bottom of the bottle where the progressive segments include the center of the bottom of the bottle and progressive portions of the periphery of the bottle" (emphasis added)





Claim 18:

"light responsive means including a light coupler rotatable on a center within the periphery of the container for sequentially scanning different areas of the illuminated field where the areas are substantially greater than the size of the particles to be detected and include at each instant the center and a portion of the periphery of the container" (emphasis added)

Claim 20:

"rotatable means having a center of rotation within the periphery of the container for providing a radiant energy through progressive segments of the container in succession where the progressive segments include the center and progressive portions of the periphery of the container" (emphasis added)

Claim 21:

"said rotatable optical member including means for sequentially coupling information bearing light from different areas of the bottle to said photoelectric scan where the area from which light is provided at any instant is substantially larger than the cross-sectional area of any particle of dirt to be detected and includes the center of the bottle and a portion of the periphery of the bottle." (emphasis added)

Claim 24:

"said disc having alternate radial opaque and translucent areas each including the center of the disc and a portion of the periphery, said disc being positioned relative to the bottle to pass to the photoelectric means the light passing at each instant through at least one complete translucent area and through a portion of the bottle between at least the center and a portion of the periphery" (emphasis added)

Element (2) - (See element D of Exhibit 97)

Claim 7:

"said photoelectric scanning means being constructed and disposed to render an alternating current signal output when receiving light from a bottle having small particles of dirt thereon and being constructed and disposed to





render a substantially direct current signal output when receiving light from a bottle having no small particles of dirt thereon, and inspection circuit means coupled to said photocell means and constructed to reject a bottle when the output is an alternating signal and further constructed to reject a bottle when the electrical signal output from said photocell means is below a predetermined level, said inspection circuit means being further constructed to pass a bottle when the electrical signal output from said photocell means is both above the predetermined level and a direct current signal but adapted to reject a bottle if the output is an alternating current signal" (emphasis added)

Claim 9:

"means responsive to the energy passing to the second means from the bottle and the rotatable means for indicating the presence of foreign particles in the container in accordance with the occurrence of alternating characteristics in such energy at progressive instants of time." (emphasis added)

Claim 18:

"threshold responsive means electrically coupled to said photocell for detecting particular alternating components in the electrical signal produced by said photocell" (emphasis added)

Claim 20:

"converting means responsive to the modulated radiant energy from the medium for providing a direct current electrical signal indicative of the average transmission characteristics of the medium and of any particles in the medium and also an alternating current electrical signal for each particle in the medium at a particular frequency and at a magnitude related to the size of the particle." (emphasis added)

Claim 22:

"inspection circuit means coupled to said photocell means and constructed to reject a bottle when the output is an alternating signal" (emphasis added)

Claim 23:

"said inspection circuit means including amplifier means tuned to a specific frequency range, said range covering



the frequency of the alternating current signal output rendered by said photocell means when re-receiving light from a bottle having small particles of dirt therein; said inspection circuit means being further constructed to reject a bottle if the photocell output is an alternating current signal having a frequency within said specific tuned frequency range." (emphasis added)

Element (3) - (See element F of Exhibit 97)

Claim 9:

"where the center of rotation of the rotatable means is disposed within the area defined by the bottom of the container" (emphasis added)

Claim 20:

"rotatable means having a center of rotation within the periphery of the container for providing radiant energy through progressive segments of the container in succession" (emphasis added)

Claim 21:

"a rotatable optical member having a center of rotation at a position within the periphery of the bottle," (emphasis added)

Claim 24:

"means for rotatably supporting said disc on a center located within the periphery of the bottle being inspected" (emphasis added)

Element (4) - (See element G of Exhibit 97)

Claim 18:

"where the areas are substantially greater than the size of the particles to be detected" (emphasis added)





Claim 21:

"where the area from which light is provided at any instant is substantially larger than the cross-sectional area of any particle of dirt to be detected" (emphasis added)

element (5) - (See element E of Exhibit 97)

Claim 18:

"threshold responsive means electrically coupled to said photocell for detecting particular alternating components in the electrical signal produced by said photocell" (emphasis added)

Claim 20:

"an alternating current electrical signal for each particle in the medium at a particular frequency and at a magnitude related to the size of the particle." (emphasis added)

element (6) - (See element A of Exhibit 97)

Claim 24:

"said disc having alternate radial opaque and translucent areas" (emphasis added)

b. Evidence of Non-Infringement

element (1) - (See element C of Exhibit 97)

With reference to this element the table below shows the relationship between and the places where these elements are discussed by the Court and found in the claims under consideration.





Claim Number	Sub-Paragraph of Court's Finding of Fact	Page in Record
7	(a)	1947
9	(a)	1949
18	(b)	1950
20	(b)	1951
21	(c)	1952
24	(a)	1953

This element in each of the claims under consideration does not find its counterpart in the SME machines. In order for the SME machines to achieve center detection, of necessity, the bottle is permitted to move through the inspection zone during the inspection interval. Ex. 94 and Ex. 95 were testified to by one of plaintiff's experts, John Ryde; they show that the bottle moves during the inspection interval (Tr. 1667 through 1673). In addition, Mr. Husome testified that in the SME machines, beginning at Tr. 1059 through Tr. 1060 that:

"The bottle moves approximately  $3/8$ ths of an inch during the inspection interval.

Thus, the area being inspected by the SME machines, which are coincident with that portion of the mirrored line of the rotating mirror, do not include the center of the bottle and progressive portions of the periphery of the bottle. Instead, during a portion of the look time the periphery of the bottle and something less than the center is being viewed, subsequently the periphery is not being viewed and something beyond the center is being viewed when the center is being viewed, etc. Thus, at



the same point in time the center and a portion of the periphery are not inspected by the SME machine except during that infinitely small instant in time when the bottle is exactly centered in the inspection zone.

It is asserted in appellant's Brief at pages 66 and 67 that Ryde testified in effect in favor of appellant at Tr. 1761-1777 on the presence or absence of this element. A careful reading of these pages of the transcript, it is submitted, refutes this assertion.

Again appellant at page 67 of its Brief refers in the middle of the top paragraph to Griest's testimony at Tr. 2224 implying support for the entire paragraph. Actually, no such support is to be found in Griest's testimony as is implied, and as pointed out above Ryde testified to the contrary on the point regarding the absence of this element in the alleged infringing machines.

Element (2) - (See element D of Exhibit 97)

With reference to this element the table below shows the relationship between and the places where these elements are discussed by the Court and found in the claims under consideration.



Claim Number	Sub-Paragraph of Court's Finding of Fact	Page in Record
7	(b) and (c)	1947
9	(c)	1950
18	(c)	1950 and 1951
20	(c)	1951 and 1952
22	(a)	1952
23	(b)	1952 and 1953

This element in each of the claims under consideration does not find its counterpart in the SME machines. Unlike the requirement of this element of the claims under consideration whereby a signal of a particular frequency is required to produce an electrical reject signal, the SME machines only reject a bottle upon the determination that a pulse of a particular slope is produced by the presence of a small dirt particle when there is a coincidence of an image of that particle with the passing thereby of the radial mirrored line on the rotating mirror. This pulse which is fed to the amplifier in the SME machines will only produce a reject signal if the slope of such pulse is of a sufficient predetermined value and the SME machines are not concerned with the magnitude of such pulse. It is not the presence or absence of this pulse, but the presence or absence of a particular slope or abruptness of the pulse which determines that a reject signal should be generated. This is entirely different from the design required by the element under consideration of the '640 patent. See John Ryde's testimony





beginning at Tr. 1423 et. seq. wherein in connection with Ex. 65 he explains the operation of the electrical circuit in the '640 patent and in his testimony beginning at Tr. 1504 wherein he states as follows in answer to a question put to him:

"Q Now, does the '640 patent, including its file history, in your opinion teach the detection of a small foreign particle in the bottom of a bottle by the abruptness of a pulse or the rate of change of a pulse?

A No."

This is clear evidence in the record that the '640 system does not teach nor do the claims contemplate detection of a small dirt particle by the determination of the abruptness of a slope or a pulse. Further, it was testified to by Mr. Husome that appellee's machines detect the presence of a foreign particle by the abruptness of a slope of a pulse (Tr. 1093 et. seq.) and beginning at Tr. 1106 Mr. Husome, in reference to Ex. 65 in explaining the operation of the electrical circuit of the plaintiff's machines, stated:

"A Yes, I was going to the pink block, which is one of the more important functional blocks in the machine.

The signal that comes from the differentiating amplifier now, representing the rate of change at which the particle was scanned, the rate of change at which the particle and the scanning line intercepted one another -- "

In addition, Mr. Ryde testified that rejecting a bottle because of the presence of a particle of dirt is determined by sensing the slope of a pulse in the plaintiff's machines, this



in connection with Ex. 93 (Tr. 1660 through Tr. 1667) and particularly at Tr. 1663 where Mr. Ryde testified as follows:

"Now we have already demonstrated in the 303 amplifier in operation that we do not have repetitive cycles, that on the first pulse we reject the bottle if it is to be rejected at all, and this is the difference with regard to this particular point in the claim language."

Thus it is clear that it is entirely different from the design required by this element of the '640 patent. John Ryde in testifying in connection with Ex. 97 at Tr. 1687 testified as follows concerning the distinction between the claim language of this element in the claim (he was discussing claim 20 in particular) thus lending further support to the proposition that this element does not find its counterpart in the SME machines:

"Q I would like to read to you a portion of Claim 20, commencing at line 57:

'converting means responsive to the modulated radiant energy from the medium for providing a direct current electrical signal indicative of the average transmission characteristics of the medium and of any particles in the medium and also an alternating current electrical signal for each particle in the medium at a particular frequency and at a magnitude related to the size of the particle'

Does that find its counterpart in the SME machine?

A No, for the same reason I just mentioned. Here we have an alternating current electrical signal for each particle in the medium at a particular frequency. But here we have an addition, 'at a magnitude related to the size of the particle'. The SME machine does not depend on the magnitude of the signal but rather the rate of change."





Inasmuch as appellant in its Brief has attempted to equate this element of the claim relating to the detection of an alternating current with the plaintiff's machines electronic slope detection circuit and in this respect relies primarily on the testimony of one witness, Fred Calhoun, it would seem appropriate to consider the following facts. Mr. Calhoun has a definite interest in the determination of the validity and infringement of the patent at issue. Not only is he one of the named inventors, but he also was the only expert witness and for all practical purposes the only witness the defendant presented in the trial. Further, Mr. Calhoun admitted at the trial (Tr. 260 of misuse trial) that he was personally receiving at the time of testimony between \$20,000 to \$40,000 per year in royalties from the defendant under the agreement which transferred the patent in suit. In appellant's Brief there are several instances wherein an attempt is made to equate alternating current signal and pulses by using those words in the alternative. (See page 10 beginning in the second paragraph through the first complete paragraph on page 13 of appellant's Brief, for example). On the point of the equivalence between alternating current as is taught and claimed by the patent in suit and the detection of a slope of a pulse which is the manner of operation of the plaintiff's machines much turned upon the manner of operation of the LC tuned circuit comprising capacitor 80 and coil 82





on the '640 patent (see Figure 4 of plaintiff's Ex. 73). Mr. Calhoun testified beginning at line 15, Tr. 819 that it was impossible to employ an LC tuned circuit alone for the purpose of achieving the desired goal of selecting a particular alternating current frequency indicative of a foreign particle. On cross examination Mr. Calhoun backed off from having said that this was impossible to accomplish by an LC circuit to its being "difficult" and perhaps "inconvenient." Based upon the testimony of Mr. Ryde beginning at page Tr. 1690 of the transcript through Tr. 1693 that he sharply disagreed with Mr. Calhoun even that it was inconvenient; and on so many other points as to suggest that Mr. Calhoun's prejudice in this case was a significant factor in determining what he said. On the other hand, neither Dr. Griest, nor Mr. Ryde had any financial or other interest in the case. (See Tr. 1920 as to Ryde).

Another important aspect of the testimony regarding the relationship operation of the circuit of the patent in suit to that of the plaintiff's machines should be considered. Mr. Calhoun testified during his direct testimony regarding Ex. 73 that certain RC circuits labeled A, B, C, D and E act as differentiator circuits in the '640 machines and that such differentiator circuits serve to "frequency discriminate" together with the LC circuit. This was in an attempt to draw an analogy to the several differentiating RC circuits in the plaintiff's machines to show that the patent covers the same. It is interesting to note that of all of the RC circuits testified to by Mr. Calhoun, namely A, B, C, D and E, that none



if they were considered important enough to have been described in the specification other than to designate them as coupling circuits, in passing. (See the patent in suit at column 5, line 3 through 5):

"The output of tube 68 is applied to the alternating-current amplifier, which includes tube 84 and 86, which are coupled in well-known fashion to amplify an alternating-current signal."

None of the resistor-capacitor combinations labeled A, B, C, D and E by Mr. Calhoun in his testimony in Ex. 73 even have numbers on them in the patent drawing. Further, since a good portion of the appellant's case centers upon the sharp contrast between the testimony of the witnesses for the plaintiff and Mr. Calhoun, the only witness on this point for the defendant, it is suggested that the trial court properly found for the plaintiff at this point and should not be overruled unless its finding is clearly erroneous. Ryde testified commencing at Tr. 1467 line 11 through Tr. 1477 line 7, that none of the RC circuits A, B, C, D and E drawn in Ex. 73 serve as differentiating circuits. This is an exact contradiction to Calhoun's testimony regarding Ex. 73 on this point. Within this above excerpt of testimony of Mr. Ryde a clear statement to the above effect is noted herebelow (Tr. 1474 line 17 through 23):

"Q Do you agree with the proposition these RC networks A, B, C, D, E and F --A, B, C, D, E, -- act as differentiating circuits in the '640 system, in accordance with its teachings?

A No, I do not. I don't believe an engineer would ever use them as differentiating circuits within the teachings of the patent."



In addition, Dr. Griest, another eminently qualified expert, testified to the same effect at Tr. 2123 line 22 through Tr. 2124 line 4 which reads as follows:

"Q Does the circuit shown in the Calhoun patent and described in the specification disclose or suggest differentiation or slope detection?

A No.

Q Are the RC -- in your opinion are the RC circuits shown in the Calhoun patent employed for coupling or for differentiation?

A They are employed primarily for coupling."

Also in Griest's testimony on this point, see Tr. 2124 line 22 through Tr. 2125 line 21.

In appellant's Brief still another attack is tangentially made on this finding of the Court. In order to contend that the C. tuned LC circuit of the '640 patent is equivalent to an RC network including several RC circuits (whose values are chosen to cause differentiation, i.e., slope detection to occur) appellant states at page 59 of its Brief: "Plaintiff uses an 'RC' circuit in its machine for frequency selection instead of an 'LC' circuit." This sentence in the Brief thus assumes that the RC circuit is equivalent to the other in the context under consideration. The evidence strongly points the other way. Beginning at Tr. 1522, line 19 through Tr. 1529, line 11, in particular when asked if he agreed with Mr. Calhoun's prior testimony that by varying the value of an RC tuned circuit he could make it take exactly like an LC tuned circuit, Mr. Ryde stated at line 17-21 Tr. 1528:

"A No, that is not possible. It is not





possible to take an RC circuit such as shown in the upper right-hand corner of Exhibit O and have it have the same frequency characteristics as an LC circuit shown in Exhibit 76." (emphasis added)

Still further to this point, appellant in its Brief still page 59 went on in the next sentence to state:

"In other words, an inductance 'L' in the amplifier of the '640 patent is changed to a resistance 'R' in the amplifier of the San Marino machine."

It only does the above testimony of Ryde squarely refute this contention, but a mere glance at the circuit of the SME machine (page ii of appendix in appellant's Brief) as compared to Exhibit 73 (the circuit diagram of the '640 patent) shows how very different they are, quite beyond the fact that one is a vacuum tube and the other a transistor circuit. Also see Tr. 1683-1689 where Ryde testifies with reference to the claim language giving further his reasons for his opinion that the amplifier in the '640 patent and the appellee's machines are different.

Element (3) - (See element F of Exhibit 97)

With reference to this element the table which follows shows the relationship between the elements and the places where these elements are discussed by the Court and found in the claims under consideration.



Claim Number	Sub-Paragraph of Court's Finding of Fact	Page in Record
9	(b)	1949 and 1950
20	(a)	1951
21	(a)	1952
24	(a)	1953

This element in each of the claims under consideration does not find its counterpart in the SME machines. Much has been made by the appellant in its Brief that its supposed invention combination includes, among other things as a salient feature thereof, "a centered optical system". This feature appears to find itself in the following claims of those under consideration, namely 9, 20, 21 and 24 (the wording in the claims differ from "centered optical system"). The claims all for the center of rotation of the rotatable means as being disposed in the areas defined by the bottom of the container. While in the claims under consideration the term "center of rotation" rather than "axis of rotation" is employed (other claims in the patent employ the term axis rather than center when referring to rotation, see for example claim 13) the term "center of rotation" is used to modify the term rotatable. Obviously the rotatable means in the '640 system (See Ex. 61) is the lens and reticle, neither of which are contained within the area defined by the bottom of the container, but instead are disposed thereabove. To make sense of this term in the claim herefor it is assumed that what was meant to be said is that



the axis of rotation rather than the center of rotation is within the area defined by the bottom of the container. Support for this view is found in Ex. 96; there reference is made to specific sections of the file history wherein the applicant through its attorney in advancing the allowability, of what became claim 20 in the patent, that the axis of rotation was within the periphery of the bottle being tested. John Ryde in his testimony commencing at line 1, Tr. 1674 through line 15, R. 1677 explained why the element under consideration in the claims of the patent should be construed as meaning axis of rotation of the reticle.

Element (4) - (See element G of Exhibit 97)

With reference to this element the table below shows the relationship between and the places where these elements are discussed by the Court and found in the claims under consideration.

Claim Number	Sub-Paragraph of Court's Finding of Fact	Page in Record
18	(a)	1950
21	(b)	1952

This element in each of the claims under consideration does not find its counterpart in the SME machines. The element under consideration states that the area scanned at any instant is substantially greater than the size of the particle in the container. In fact, in the SME machines the area scanned is determined by the reflecting mirror line. In the SME machines





the size of the scanned area therefor is  $1/32$ " (the width of the line) by  $15/16$ " (the length of the line). This is equal to .0293 square inches. This was testified to by Mr. [redacted] (line 5 through 11 of Tr. 1071). The size of the smallest particle which can be detected by the SME machine is  $1/8$ " diameter which is an area of 0.0123 square inches.

Thus, the area being scanned at any instant is not necessarily substantially greater than the size of the smallest particle to be scanned. In a typical case, the particle is of the order of 0.0625 square inches which is greater than the size of the area to be scanned rather than less which is called for in this element of the '640 claims. John Ryde testified in connection with plaintiff's Ex. 97 beginning at Tr. 1679:

"A This chart is intended to show in a concise fashion the various elements of claims that limit the '640 patent and where they are not found in the SME 303 machine."

Element (5) - (See element E of Exhibit 97)

With reference to this element the table below shows the relationship between and the places where these elements are discussed by the Court and found in the claims under consideration.

Claim Number	Sub-Paragraph of Court's Finding of Fact	Page in Record
18	(d)	1951
20	(c)	1951



This element in each of the claims under consideration does not find its counterpart in the SME machines. Ex. 97 and Ryde's testimony in connection therewith regarding alternating current level detection at page Tr. 1679 et. seq. is evidence of the non-inclusion of element (e) (which is called for by claims 18 and 20 of the patent in suit) from the plaintiff's machines. In addition, Ryde testified that the tuned circuit is level sensitive (See Tr. 1459 line 1 through Tr. 1460 line 19. Also see Ryde's testimony Tr. 1423 commencing at line 16, where the witness is testifying with reference to Ex. 65, through page Tr. 1454 line 23). Also Ex. 77 was explained by Mr. Ryde for purposes to draw an analogy between the LC tuned circuit of the patent in suit and a weight and spring (plaintiff's Ex. 77) to show that it is necessary to, within the concept of the '640 patent and as called for by the claims at issue, to build up to a certain magnitude or level a signal of a predetermined frequency in order to detect the presence of a small particle by the '640 machine. In an exchange between the Court and the witness commencing at Tr. 1450 line 1 it is clear that the witness' testimony supports the Court's finding that the '640 patent requires the build up to a predetermined level or magnitude of the A.C. signal at a particular frequency.

Element (6) - (See element A of Exhibit 97)

With reference to this element the table below shows the relationship between and the places where this element is



discussed by the Court and found in the claim under consideration.

Claim Number	Sub-Paragraph of Court's Finding of Fact	Page in Record
24	(b)	1953

This element in the claim under consideration does not find its counterpart in the SME machines. The SME machines do not include a scanning means (disc or reticle) having alternate opaque and translucent areas. That is, plaintiff's machines, if the mirrored line be considered equivalent to a transparent area, still do not have more than one such area and, therefore, they do not have areas. Support for this finding may be found in plaintiff's Ex. 97 which was testified to by Hyde at Tr. 1679 through Tr. 1681. Additionally, Calhoun's own patent No. 3,283,898, Ex. 54 in evidence, states, commencing at line 39, column 1 through line 50 of column 1:

"--though generally satisfactory, has a number of limitations with respect to the sensitivity of the photoelectric scanning means. First, the sensitivity varies across the scanning field, being lowest at the center of the rotating reticle, and second the overall sensitivity of the scanning means is low because the particle blocks only a small part of the light from the bottle through the reticle. One half of the available light is transmitted through the reticle because a number of transparent sectors are required to a signal suitable for processing." (emphasis added)

Hyde testified beginning at Tr. 1431 line 2 through the testimony on this point at Tr. 1548 line 16 that the '640 patent required for its teachings and as called for by the element under consideration that the reticle have at least two alternate





opaque and translucent areas. The Court aptly summed up Ryde's testimony between the above pages of the transcript as follows at lines 14 through 16 of Tr. 1548:

"THE COURT: So your point is you want to have at least two dark and at least two like spokes.

THE WITNESS: This is correct."

4. Additional Bases For Affirming The Court's Finding of Non-Infringement

a. Table Of Elements Of Claims

Element (1) - (See element A of Exhibit 97)

Claim 7:

This element does not specifically appear in the wording of the claim.

Claim 9:

This element does not specifically appear in the wording of the claim.

Element (2) - (See element B of Exhibit 97)

Claim 7:

"optical means for sequentially and cyclically coupling the light from different areas of the bottle to said photocell means where the different areas include the center of the bottle and progressive portions of the periphery of the bottle" (emphasis added)

Claim 22:

"optical means for sequentially and cyclically coupling the light from different areas of the bottle to said photocell means," (emphasis added)



Claim 23:

"optical means for sequentially and cyclically coupling the light from different areas of the bottle to said photocell means," (emphasis added)

Element (3) - (See element E of Exhibit 97)

Claim 7:

"inspection circuit means coupled to said photocell means and constructed to reject a bottle when the output is an alternating signal and further constructed to reject a bottle when the electrical signal output from said photocell means is below a predetermined level, said inspection circuit means being further constructed to pass a bottle when the electrical signal output from said photocell means is both above the predetermined level and a direct current signal but adapted to reject a bottle if the output is an alternating current signal" (emphasis added)

Claim 22:

"further constructed to reject a bottle when the electrical signal output from said photocell means is below a predetermined level; said inspection circuit means being further constructed to pass a bottle when the electrical signal output from said photocell means is both above the predetermined level and a direct current signal but adapted to reject a bottle if the output is an alternating current signal even if the average output is above the predetermined level." (emphasis added)

Element (4) - (See element F of Exhibit 97)

Claim 18:

"light responsive means including a light coupler rotatable on a center within the periphery of the container"(emphasis added)

b. Evidence of Non-Infringement

Element (1) - (See element A of Exhibit 97)

Before undertaking a review of Claim 7 it would be well to note that this claim of the patent was originally designated as Claim 24 in the continuation application (Ex. 41). It was



rejected in the first office action by the Examiner and was allowed in the second office action after amendment to the claim was made at page 367 of the file history.

In the discussion of Claims 23 to 26 of the continuation application (therefor including Claim 24 which ultimately became Claim 7 of the patent) the attorney for Meyer stated in the file history at page 374:

"Claim 23 to 26 inclusive, are allowable over the references for substantially the same reasons as discussed above with respect to claims 15 and 21 inclusive."

In discussing Claims 15-21 at pages 373 and 374 of the file history, the attorney for the Meyer company states that:

"None of the references discloses a system including scanning means having a member with alternate opaque and translucent areas--".

This latter limitation does not find itself in Claim 24, but must be viewed as in effect being present by application of the doctrine of "file wrapper estoppel". (See the trial court's conclusion of Law 19, R. 1957). It should further be pointed out that at page 374 of the file history the attorney stated,

"None of the references disclose a system in which the progressive areas are scanned where the progressive areas include the center and progressive portions of the periphery of the bottle, applicant obtains increased and simplified structures relative to the system discussed in the references including the system discussed by Stoate."





In attempting to persuade the Court that this element of the claims does not find its counterpart in the SME machines, plaintiff first had to make a determination as to the meaning of this element ("sequentially and cyclically. . .") as there is no reference to it either in the specification of the patent in suit, nor in the file history. In Ex. 93 appellee presented what it believed to be a reasonable interpretation of the ambiguous language; as thus construed it shows that it does not cover the operation of the SME machines. To the extent that the term can be understood, it appears to require that the reticle rotates at least 5/7 of a revolution (with a 7 spoke reticle). Even if it be conceded that the mirrored line of the SME machines is equivalent to the '640 machine after one revolution of the mirrored line, the subsequent scanning information is irrelevant. Again, this is pointed out in Ex. 93 and Ryde's testimony, Tr. 1660 to Tr. 1665. Indeed, the Court after having had it pointed out that this element had no counterpart in the specification stated at Tr. 1665 lines 15 through 17 as follows:

" . . .and I am going to serve notice that I am going to ask somebody for your interpretation of what sequentially and cyclically means."

It is submitted by appellee that that challenge was never met by the appellant and that the Court ought to have found the absence of this element in the SME machines called for by each of the claims which includes it; therefore, it is another basis for showing avoidance of infringement with respect to the claims of



the patent in suit.

Element (3) - (See element E of Exhibit 97)

The trial court made no specific finding of the presence or absence of this element in Claims 7 and 22. However, this element clearly appears in these two claims as may be readily seen from the claims themselves and by reference to Ex. 97. This element does not find its counterpart in the SME machines and the reasons therefor are discussed in appellee's Brief at pages 40 and 41 in connection with the argument regarding element 5 of the table entitled "Support In The Record For The Court's Finding Of Non-Infringement."

Element (4) - (See element F of Exhibit 97)

The trial court made no specific finding of the presence or absence of this element in Claim 18. However, this element clearly appears in the claim as may be readily seen from the claim itself and by reference to Ex. 97. This element does not find its counterpart in the SME machines and the reasons therefor are discussed in appellee's Brief at pages 37-39 in connection with the argument regarding element 3 of the table entitled "Support In The Record For The Court's Finding Of Non-Infringement."

5. Scope To Be Afforded To The Claims

The appellant has argued that the trial court should have given broader coverage to the claims in suit. Appellant





contends that "single spoke reticles" (appellant's Brief page 55) and "RC circuits" (appellant's Brief page 59) were used by the inventors of the '640 patent prior to filing their application at the Patent Office. It should be stressed that all the evidence introduced on these points at the trial come from Calhoun, one of the patentees and a financially interested party in the present litigation.

The Court, however, acting fairly and with prudence analyzed the defendant-appellant's contentions and came to the conclusion that the language of the patent and file history did not support a broader invention than that disclosed and claimed. Ryde testified as an uninterested witness as to why single spoke reticles (Tr. 1548) and differentiating RC networks (Tr. 1467) were not within the contemplation of the '640 patent. In fact Calhoun himself in his patent No. 3,283,898 at column 1, lines 47-50 (Ex. 54) indicates that his machine would not operate satisfactorily with a single spoke reticle. As far as the equivalency of RC and LC circuits, Ryde (Tr. 1528) and Griest (Tr. 2272) clearly testified that differentiating RC circuits and tuned LC circuits are not interchangeable in the Calhoun and San Marino machines. In fact Ryde (Tr. 1528) testified that the Calhoun device would not operate with an RC circuit. The appellant cites The Neff Instrument Corp. v. Cohu Electronics, Inc., 298 F.2d 82 (9th Circuit 1961) for authority that LC & RC circuits are equivalent. The Neff case made no such finding; it stated at page 89: "LC and RC filters are both capable of doing the same job." (emphasis added) The above-mentioned testimony by Griest & Ryde supports





the position that LC and RC circuits are not equivalent. For example, one cannot replace an LC tuned circuit, as used in the '640 patent, with the RC differentiating circuits used in the appellee's machines. (Tr. 1528, 2272) The present case does not deal with filters and, therefore, the Neff case is not applicable. The patent discloses selection of an A.C. signal of a particular frequency by a tuned circuit (LC). (Ex. 10 column 4 lines 54-60 and Ex. 92) The claims must be interpreted in light of the specification.

A patent and its scope must be limited to some discernible standard. A patent is a legal document, in the form of a contract, which contains claims that define the patentee's monopoly. The public is entitled to know what area of technology is within the patent monopoly grant and what area is available to them to advance the state of the art. The Courts have long held that the claims of a patent define the scope of the patent grant. (Universal Oil Products v. Globe Oil & Refining Co., 322 U.S. 471)

In Stallman v. Casey Bearing Company, Inc., 244 F. 2d 905, 908 (9th Circuit 1955) cert. denied 355 U.S. 864 the Court stated: "It is the claim, of course, which measures the grant to the patentee."

In Del Francia v. Stanthony Corp., 278 F.2d 745, 745 (9th Circuit 1960) the Court said:

"The general rules of patent claims construction are well settled. A patent is thus construed as a contract, with the intent of the parties uppermost so as to give effect to their legitimate expectations \*\*\*\*\* The claims are a measure of the monopoly granted to the inventor, --- and they can never be broader than the invention disclosed to the public.



Finally, the specification and drawings must be looked to in order to properly grasp the invention or explain any ambiguity in the claims. The specification may not be used to enlarge any claim, but can be used to limit any claim." (emphasis added)

At 749, the Court continues:

". . .if the doctrine of equivalents is to apply, it is well to bear in mind the classic definition which requires the accused device to perform substantially the same function in substantially the same way to obtain the same result as that claimed for the patented items."

The trial court correctly interpreted the claims of the '640 patent in finding that a single spoke reticle and RC network or use in differentiating circuits were not within the scope of the claims and were not described in the specification. Furthermore, the doctrine of equivalents did not apply (Conclusion of Law 21 R. 1958) because as discussed above, the single spoke reticle and RC networks used by the San Marino machines did not function and could not function in the same way to obtain the same results as taught by the '640 patent.

Also, Griest testified that the functions of the San Marino machines and the '640 machine were "substantially dissimilar" and that "They accomplish their purpose by dissimilar means." (Tr. 099-2100) Therefore, any attempt to equate the overall operation of appellee's machine with that taught by the '640 patent under the doctrine of equivalents is unfounded.

The appellant was able to broaden the claims of the '640 patent by means of filing a continuation application. The claims presented in the continuation attempted to cover machines then on the market and not within the scope of the claims originally



presented. The appellee had contended that such claims were "Johnny Come Lately" claims and should have rendered the patent invalid. However, in any event to allow appellant to make his claims even broader by reading on structure not disclosed anywhere in the patent or file history would be inequitable to the public interest.





## B. Validity

### 1. Introduction

The District Court correctly found that the claims at issue were invalid as not meeting the statutory requirements of 35 U.S.C. 103.

In order for a patent to be valid, the invention must be new, useful and unobvious. (35 U.S.C. 101, 102 and 103). The Court determined that the Calhoun patent, U. S. Patent No. 3,133,640, contained claims which were invalid as being obvious under 35 U.S.C. 103. The claims the Court found to be invalid were Claims 7-15 inclusive and 17-24 inclusive which were all the claims at issue before the District Court.

35 U.S.C. 103 reads as follows:

"A patent may not be obtained though the invention is not identically disclosed or described as set forth in section 102 of this title, if the differences between the subject matter sought to be patented and the prior art are such that the subject matter as a whole would have been obvious at the time the invention was made to a person having ordinary skill in the art to which said subject matter pertains. Patentability shall not be negatived by the manner in which the invention was made."

The following discussion presents some of the support in the record for maintaining the Court's finding of invalidity as well as the case law that has developed in determining the relevant prior art, obviousness, and the weight to be accorded to the trial court's determination of invalidity.



## 2. Analogous Art Question

The Court determined that "The nature of the art we are here concerned with is the detection of foreign objects in a field of view by electro-optical techniques, rather than being limited to the bottle inspection field." (Finding of Fact 10, R. 1941).

The Court also found that electro-optical systems for the detection of objects in the sky, detection of material moving on a conveyor, detection of the presence of objects moving on the ground, and detection of objects in a container, all are systems which reside in an analogous art, and such systems employ similar elements in a similar relationship for a similar purpose. (See Finding of Fact 10; R. 1941-1942).

These Findings of Fact by the trial court are supported by the weight of evidence and testimony before the court. It is quite clear that technically trained people are not limited to the use of scientific principles to accomplish a single end use (e.g., bottle inspection). Therefore, the contention by the Appellant (Appellant's Brief, page 37) that the only field of pertinent art is the bottle handling field is erroneous and not supported by the weight of authority in this Circuit or any other Circuit.

For example, in Stearns vs. Tinker and Rasor, 220 F.2d 49 (9th Circuit, 1955) at 56-7, the Court said,



"The rule laid down by many of the authorities is that whether arts or uses are analogous depends upon the similarity of their elements and purposes. It is said that if the elements and purposes in one art are related and similar to those in another art and because and by reason of that relation and similarity make an appeal to the mind of a person having mechanical skill and knowledge of the purposes of the other art then such arts must be said to be analogous; and if the converse is true, they are not analogous." (Emphasis added)

In Aerotec Industries vs. Pacific Scientific Co.,

81 F.2d 795 (9th Circuit, 1967), the Court stated after reviewing the similarity of the devices involved,

"We cannot believe that if Appellee's skilled engineers, knowing nothing at all about trolley catchers or the trolley catchers patents, had devised, for holding a man in his seat in an airplane, the precise type of reel and mechanism described, say, in Ham, they could get a valid patent on it. Yet that is what Appellee's argument amounts to. As the Supreme Court said in Graham vs. John Deere Co., 383 U.S. 1 at 36:

'It is also irrelevant that no one apparently chose to avail himself of knowledge stored in the Patent Office and already available by the simple expedient of conducting a patent search -- a prudent and nowadays common preliminary to well organized research.'"

The appellant contends that the only field of pertinent art is the bottle inspection art (Appellant's Brief, pgs. 42-46). This type of reasoning does not agree with the manner in which technical problems are solved. Scientific principles lend themselves





exploitation by skilled men in any art and there can be no artificial classification of relevant art by reference to a particular type of end use.

The Patent Office realizing that men skilled in the various arts solve problems in different technical areas by the utilization of the same scientific principles classifies patents in areas that utilize the same essential functions.

In the Index to Classification printed by the U. S. Department of Commerce (Patent Office) at page I, dated July, 1967, the following is stated,

"As all patentable law or instruments are created for an ulterior utility, the characteristics selected as the basis of classification is that of essential functions or effect. Arts or instruments having like functions, producing like products, or achieving like effects are brought together; but the functions or effects that serve as a basis of classification must be proximate or essential, not remote or accidental." (emphasis added)

In the Appellant's brief at page 40, it is stated,

"Plaintiff did not introduce any evidence through plaintiff's experts Husome, Ryde and Griest or through plaintiff's cross-examination of Calhoun, to show that the two fields are analogous. In the complete absence of any such evidence and their obvious remoteness from the business standpoint, Appellant submits that the District Court erred in considering the missile and star tracking technology as relevant prior art to a bottle inspection patent." (emphasis added)



Appellant's statement is contrary to the record. Ryde at Tr. 1382-1391, and Griest at Tr. 2333-2334, 2150-2151 both testified that the problems to be solved with respect to bottle inspection make use of basic principles that are categorized as electro-optical techniques. At Tr. 2334, Dr. Griest testified as to what a group of engineers at Hughes Aircraft Co. thought about the similarity of the technologies involved. The following is an excerpt:

"The subject of our conversation was Mr. Williams leaving the company, and we were joking about the fact to us it was completely obvious. If you could find an airplane in the sky you could certainly find a piece of dirt in a bottle by the same technology. The subject of the joke was not the difficulty, the fact it was not obvious to us, but it was, rather, that it was sort of like breaking a peanut with a sledge hammer."

At Tr. 2150-2151 Griest testified as follows:

"Q. (Roston) Now, would you expect an engineer of ordinary skill in the electro optical scanning and detection art in 1957 to be able to adapt the system of Biberman to inspect bottles if given the problem?

A. (Griest) I would. I have tried to use language which indicated the way I think most engineers would think about this. A circuit engineer, at least an engineer interested in physics rather than the particular application would judge this to be a device--

THE COURT: Indicating the Biberman device.

THE WITNESS: (Griest) --the Biberman device--to be a way of responding to any



anomaly in the field of view, and I don't think it would matter much whether the anomaly was an airplane in the sky or a spot in the bottom of a milk bottle if it were in the field of view of the device, and then it would seem to me that an engineer who did understand this would think if it were suggested to him, that he look at the bottle problem--I think one of the things he might do after he read the prior art would be to say to himself, 'Why not put the Biberman device so it will look down the neck of the bottle and then make the corresponding changes which would adapt it to this requirement?'"

As pointed out above in the statement from the Index to Classification, the arts are classified by like functions or like effects. The trial court correctly found based on the evidence introduced that the problem to be solved was not unique to "bottle inspection" but was rather part of the more general technical area concerned with the detection of objects in a field of view by electro-optical techniques. The above testimony of Ryde and Griest and other evidence which will be discussed below indicate that the Court properly defined the scope of the relevant prior art.

The File History (Ex. 41) of the present patent at p. 455 indicates the areas searched by the Patent Examiner, who may be considered as a man skilled in the art. The fields examined by the Examiner are listed below:

Class 209	Classifying, separating and assorting solids
Class 250	Radiant energy
Class 88	Optics
Class 340	Electrical communications





It is also interesting to note, for example, that the Gullikson Patent (Ex. 120) and Biberman Patent (Ex. 49) are classified in the same class, namely Class 88 Optics, yet the Gullikson patent deals with bottle inspection and the Biberman with the location of an airplane in the sky.

The Patent Examiner in performing his search (see pages 361 and 402 of Ex. 41) cited references having the following titles:

"Photo Electric System" - U. S. Patent No. 2,016,036 (Ex. 43B);

"Apparatus For Detecting Foreign Bodies in Transparent Vessels" - U. S. Patent No. 2,947,877 (Ex. 43C);

"Photoelectric Inspection Device", U. S. Patent No. 3,395,482 (Ex. 43D);

"Photoelectric Sizing Mechanism" - U. S. Patent No. 3,415,174 (Ex. 43E);

"Electronic Inspection Apparatus" - U. S. Patent No. 2,798,605 (Ex. 43F);

"Radiant Energy Sensing System" - U. S. Patent No. 2,820,906 (Ex. 43G);

"Target Scanning System" - U. S. Patent No. 2,931,912 (Ex. 43H);

"Diffraction-Type Interrupter" - U. S. Patent No. 2,956,170 (Ex. 43I); and,

"Goniometer With Image Analysis By Frequency Modulator" - U. S. Patent No. 2,967,247 (Ex. 43J).

As can be seen from the above list of titles, the pertinent art area is much broader than appellant contends. In fact, all the patents deal in general terms with scientific function



and effects and not usually a single type of application.

Further, the Examiner contended throughout the prosecution of the '640 patent (Ex. 41, pages 402-403) that all the art cited was pertinent and the claims presented had to be construed in view of the art cited in order to advance the prosecution of the case at the Patent Office.

It is also interesting to note the actual areas from which the art cited by the Examiner was found. In the "U. S. Patent Office Classification Definitions" the areas in which pertinent art was found were defined as follows: Class 209, subclass 111 (Ex. 41, page 361):

"Methods and means under subclass 72 for automatically assorting articles according to color. Generally such methods and means involve the effect of light reflected from or transmitted through the respective articles upon selenium cells.

SEARCH CLASS -

250, Radiant Energy, subclass 42+, especially subclass 50+, for methods and apparatus for subjecting objects to the effects of radiant energy rays and subclass 200+ for photocell electric circuits and photocell apparatus, particularly subclass 226 for photocells which respond to the color of light objects and subclass 223 to photocells which sense objects traveling on a conveyer or chute."

(Emphasis added)

Class 250 subclass 233 (Ex. 41, page 361 of File

history):

"Subject matter under subclass 232 in which the means for intermittently interrupting the optical path is a rotary element." (Emphasis added)

(Note: Subclass 232 is defined as "subject matter under 229 having means for intermittently interrupting the optical path between the light source and photocell in a repetitious cyclic sequence.")





Class 88 (File History pages 402 and 455) is defined as follows:

"This class includes all instruments (and their accessories) for aiding or testing vision and for projecting images upon surfaces internal to the instrument; also, astronomical and surveying instruments in which vision is employed for accurate alignment and other devices or methods involving reflection, refraction or chromatic effect which are not so closely related to other arts that they should be classified elsewhere."

From the above definitions it would be obvious to one skilled in the art to consult patents such as Biberman (Ex. 49) and Jones (Ex. 112), for example, to solve problems in the field of optical detection of objects. Biberman is classified in Class 88 (Optics) and Jones in Class 250 (Radiant Energy).

It is obvious from the Examiner's contention, the art cited and the areas searched that the Patent Office considered the relevant prior to be the detection of objects by electro-optical techniques (Ex. 41, pages 402-405). No mention is made in the definitions of the areas searched of either "bottle inspection" or "missile and star tracking". All the definitions are concerned with means and methods for accomplishing a given function or accomplishing a given effect.

Calhoun's notebook (Ex. I, pages 41 and 42) shows a notation made by Calhoun himself suggesting that the basic electro-optical system used in the Falcon missile system would be apropos as a solution to the problems presented by the bottle inspection machine he was then working on (Tr. 765). Further, all the inventors Calhoun, Williams and Wyman, came from Hughes Aircraft Co., Guided Missile Division, and each was involved in some way with the area





of missile tracking and related areas. (Tr. 99, Misuse Tr. 171)

The inventors investigated scanning systems from many fields other than bottle inspection (Tr. 232, 253) which strongly support the proposition that technological problems are solved by making use of general scientific principles and men skilled in the art do not confine themselves to the narrow limits of a single industry.

Attention is also directed to Exs. 55, 56 and 57 where in Ex. 55 George Meyer (president of the Defendant-Appellant) wrote to Calhoun questioning the possibility of the anticipation of Calhoun's patent by an article presented in the IRE Journal (Ex. 56) dealing with "Infrared Search System Design Consideration". Calhoun answered Mr. Meyer's letter in Exhibit 57 in which the discussion deals with "scanning systems", "optical scanners" and "infrared techniques". In Ex. 57 it becomes quite clear that Calhoun considered the technical areas concerned with the '640 patent to be "scanning systems", "optical scanners" and "infrared techniques" and nowhere is there any discussion that the infrared search system described in the article (Ex. 56) could not be applied to the bottle inspection field. In fact, the question of anticipation by Mr. Meyer well indicates that the use of infrared search systems were certainly related to the system described in the '640 patent for detecting particles in a bottle. As far as the record shows, Mr. Meyer was not a man of extraordinary skill in the art of missile and star tracking or even in infrared techniques, but rather he would be considered as a man with just ordinary skill in the art.



Therefore, contrary to the Appellant's assertion that there was not any evidence to show that the two fields are analogous, the testimony of Ryde and Griest, the File History of the application of the '640 patent, the contention of the Patent Examiner, the correspondence between Meyer and Calhoun, and the IRE Journal article on infrared search systems all indicate that the relevant field of art to be considered is that of the detection of objects in a field of view by electro-optical techniques and the Conclusions of Law 5 and 6 (R. 1954-1955) of the Trial Court are clearly supported by testimony and other evidence.

Although a great deal has been said with respect to the question of "analogous art," it should be clearly understood that even within the narrow field of "bottle inspection" Stoate (British patent 517,229) and the RCA machine (Schell U. S. Patent No. 2,439,490 and Weathers U. S. Patent No. 2,192,568) teach all the elements contained in the '640 patent. See Exhibits 9, 122 and 107. Also, the U. S. Stoate Patent No. 2,100,227 is pertinent since it teaches the same basic concepts as the patent in suit and is directly related to the bottle inspection field. Further, if the patent is construed in the manner advanced by appellant, Claims 8, 12, 13, 19, 20 and 24 would be anticipated by Stoate '229 alone under 35 U.S.C. 102 (b) which provides:

(b) the invention was patented or described in a printed publication in this or a foreign country or in public use or on sale in this country, more than one year prior to the date of the application for patent in the United States,





3. The Patent In Issue Is A Combination Of Old Elements  
And Is, Therefore, Subject To The "Severe Test" Of  
Patentability

The Court found in Finding of Fact 16 (R. 1945) that the patent in suit is a combination patent and in Conclusions of Law , 9 and 10 (R. 1955-6) set forth the strict standard and scope to be given to combination patents which merely unite old elements with no change in their respective functions.

In Bentley vs. Sunset House Distributing Corp., 359 F.2d 40 (9th Circuit, 1966), the Court stated,

"In assessing the patentability of combination patent, we are to supply a 'severe test' whether 'the whole in some way exceeds the sum of its parts' to produce 'unusual or surprising consequences from the unification of the elements. . .' A & P Key Company v. Supermarket Equipment Co., 1950, 340 U.S. 147 at 152, 87 U.S.P.Q. 303, 305-306." (emphasis added)

In Jeddeloh Bros. Sweed Mills, Inc., et al vs. De Manufacturing Co., 375 F.2d 85 (9th Circuit, 1967), the Appellate Court reversed the holding of validity of the trial court and reviewed the Graham v. John Deere Co., 383 U.S. 1, and acknowledged the emphasis placed by the Supreme Court on the obviousness criterion of 35 U.S.C. 103. It stated,

"The principles of patentability as summarized above, are to be applied with special strictness in determining the patentability of combination patents. In Great Atlantic and Pacific Tea Co. vs. Supermarket Equipment Corp., 340 U.S. 147, 151, 152; 87 U.S.P.Q. 303, 305, the Court. . .pointed out that the conjunction known elements must contribute something, and that only when the whole in some way exceeds the sum of its parts is the accumulation of old devices patentable."





n Santa Anita Mfg. Co. vs. Lugash, et al. 369 F.2d 964 (9th Circuit, 1967), the Court noted that the patent in question was for a combination of known elements and states the issue to be,

"Under what circumstances is a combination of known elements patentable as an invention?"

The opinion then acknowledges 35 U.S.C. 103, and goes on to note that as to "Combinations of old ideas, the courts have already stated the law." The Court then continued:

"It is apparent from the record and findings that the trial court tested patentability by the requirements of 35 U.S.C. 103, the test of obviousness. . . Unquestionably these statutory requirements are prerequisite to the issuance of any patent." Graham vs. John Deere Co., 383 U.S. 1. But in the special case of combination patents, "The severe test" referred to in Bentley vs. Sunset House Distributing Co., supra must also be applied and satisfied before a combination patent can be recognized. . . it is obvious from the authorities cited above that the test of the new function must be met or the patent is invalid." (Emphasis added)

In M.O.S. Corp. v. John I. Haas Co., Inc., 375 F.2d 614 (9th Circuit, 1967), the Court stated,

"Court should scrutinize combination patent claims with a care proportioned to the difficulty and improbability of finding invention in an assembly of old elements. The function of a patent is to add to the sum of useful knowledge. Patents cannot be sustained when, on the contrary, their effect is to subtract from former resources freely available to skilled artisans. A patent for a combination which only unites old elements with no change in their respective function, which as is presented here obviously withdraws what already is known into the field of monopoly and diminishes the resources available to skilled men. This patentee has added nothing



tot the total stock of knowledge, but has merely brought together segments of prior art and claims them in congregation as a monopoly."

It is, therefore, clear that under the authorities cited above, that the court correctly determined the question of validity. The Court applied the tests set forth by the Supreme Court and the tests espoused in the most recent decisions of the Ninth Circuit and found that the elements of the '640 patent were all old in the art and that the combination of the old elements was invalid for lack of invention over the prior art. The elements combined did not produced any unusual or surprising results. In applying the test for combination patents, the Trial Court correctly stated:

"A patent for a combination which only unites old elements with no change in their respective functions, . . . obviously withdraws what already is known into the field of its monopoly and diminishes the resources available to skillful men."

Farr Co. vs. American Air Filter Co., Inc.  
318 F.2d 500, 503 (Conclusion of Law 9,  
R. 1956).

The Court's conclusion is supported by solid evidence and should be affirmed.

#### 4. The Trial Court's Findings With Respect to Invalidity Should Be Given Great Weight

Whether validity is a question of law, or fact, in the Ninth Circuit appears to be in doubt but in any event the Trial Court's findings are entitled to great weight. In Container Corporation of America vs. M.C.S. Corporation, 250 F.2d 704 at 709 (9th Cir., 1957), the Court stated that validity was a question





of fact and stated:

"In summary, this court has consistently held that the question of validity of a claim of a patent is one of fact. The trial judge's finding of no invention is entitled to great weight, and this court will respect such findings unless we find them 'clearly erroneous.'

The findings of the trial judge are solidly supported by the evidence, and obviously are not 'clearly erroneous.' It is our clear conviction that the device patented 'relates to a combination of old elements, which combination could have been produced by any reasonably competent person skilled in the art.'"

In Stauffer vs. Slenderella System of California, Inc., 254 F.2d 127 (9th Circuit, 1957), 115 USPQ 347, the Court said:

"The findings of a judge upon novelty, utility and invention are entitled to great weight when made after trial of these issues. This Court will respect such findings unless the record shows these to be 'clearly erroneous.'"

In Hensley Equipment vs. Esco, 375 F.2d 432 (9th Circuit, 1967), the Court considered obviousness a question of law and said:

"The obviousness or nonobviousness of the subject matter of a patent presents a question of law. National Lead Products Company vs. Western Lead Products Company, 9th Cir., 291 F. 2d 447, 450-451, 130 U.S.P.Q. 4, 6. However, that legal question is to be determined against a factual background, with particular emphasis on three considerations, namely: the scope and content of the prior art, the differences between the prior art and the claims at issue and the level of ordinary skill in the art."

See also, Monroe Auto Equip. Co. vs. Superior Industries, Inc., 332 F.2d 473 (9th Circuit, 1964) Cert. denied, 379 U.S. 901.





In M.O.S. Corp. vs. John I. Haas Co., Inc., supra,

the Court stated:

"While it has often been said that patentability is a question of fact, it is also true that in patent cases, as in most others, the record in the particular case may be such that the question becomes one of law."

However, most authorities are in accord that the factual determinations found by a trial court with respect to the question of validity should be given great weight whether the question is one of law or one of fact (see Container Corporation of America vs. M.C.S. Corp., supra, and Stauffer vs. Slenderella Systems of California, Inc., supra.) The question of validity in cases involving conflicting testimony and complex scientific data require findings of fact which should not be set aside unless clearly erroneous," and due regard shall be given to the opportunity of the trial court to judge of the credibility and testimony of the witnesses."

As Mr. Justice Jackson stated in Graver Tank & Mfg. Co. v. Linde Air Products Co., 336 U.S. 271, 274-275 (1949):

"To no type of case is this last clause more appropriately applicable than to the one before us, where the evidence is largely the testimony of experts as to which a trial court may be enlightened by scientific demonstrations. This trial occupied some three weeks, during which, as the record shows, the trial judge visited laboratories with counsel and experts to observe actual demonstrations of welding as taught by the patent and of the welding accused of infringing it, and of various stages of the prior art. He viewed motion pictures of various welding operations and tests and heard many experts and other witnesses. He



He wrote a careful and succinct opinion and made findings covering all the factual issues.

'The rule requires that an appellate court make allowance for the advantages possessed by the trial court in appraising the significance of conflicting testimony and reverse only 'clearly erroneous' findings.'"  
(Emphasis added)

Therefore, the Trial Court's findings should be accorded great weight since it had an opportunity to hear all the testimony, see the various demonstrations and judge the credibility of the witnesses presented. Unless the Trial Court's findings are clearly erroneous they should be affirmed.

##### 5. Miscellaneous Contentions of Appellant

At page 45 of the Appellant's brief, the Appellant relies on the so-called "commercial success" to further the argument that the '640 patent was valid. However, the law on commercial success is very clear, "Commercial success without invention does not make patentability". A & P vs. Supermarket Equipment Corp., 340 U.S. 147 at 153. See also, M.O.S. Corp. vs. John I. Haas Co., Inc., supra. Commercial success is only a secondary consideration in the determination of obviousness, Graham v. John Deere, supra.

Further, the record does not support that if there was any "commercial success" it was connected in any way with the features appellant contends were patentable in the '640 patent. There were factors other than the features described in the '640 patent which may have contributed to any "commercial success" attributable to appellant's machine.



Appellant's machines not only involve the '640 patent but also U. S. Patent No. 3,081,666 (Tr. 36). Where "commercial success" results from a combination of two or more patents, it cannot support the validity of either patent taken individually (Philco Corp. v. Admiral Corp., 199 F.Supp. 797, (D. Del., 1961)).

"Commercial success" of appellant's machines was due in great part to the utilization of a bottle handling means known as the "Vacuum Star Wheel". (Tr. 2349-2350) The vacuum star wheel was not covered by the '640 patent and in fact was used by appellant under a license from the Owens Illinois Company (Tr. 1057-1058) Also, much of the "commercial success" of appellant's machines is attributable to the large and effective marketing organization of appellant. (See Tr. 1017-1018)

Therefore, the connection of "commercial success" with the features appellant contends were patentable is not supported by the evidence and is not even a valid secondary consideration in the present case.

At pages 15 and 32 of appellant's brief it discusses the "basic concept" of the patent and "essence of the patent disclosure". In Nelson v. Batson, supra, the court faced with a combination patent stated:

"Nelson asserts that the 'heart' of his invention is the enhanced maneuverability resulting from the relationship between a rotatable propulsion unit and a skeg located as stated in his claim, and that the location of the motor does not affect this relationship. Nelson contends that





Batson should not be permitted to appropriate the 'heart' of Nelson's invention simply by altering another, unessential, element. 'We can only answer, 'that there is no legally recognizable or protected 'essential' element, 'gist' or 'heart' of the invention in a combination patent.''  
(Emphasis added)

See also Aro Mfg. Co. v. Convertible Top Replacement Co., 365 U.S. 336 (1960).

While much of the discussion by the appellant of the prior art deals with 'spatial filtering' and 'frequency discrimination' and with 'masking' those terms are not deemed pertinent to the question of validity since they were not present in the claims of the patent, in the patent disclosure or anywhere in the file history. Since, however, these terms have been discussed in the appellant's Brief they are discussed in another section of the Brief entitled Matters Presented Which Are Not Relevant. (page 73) It should be noted, however, in passing that what appellant considers "spatial filtering" is merely the detection of particles by a scanning member which produces signals which can distinguish the particles from other signal producing effects. (Tr. 2365) Stoate 517,229 accomplishes the same results and although neither Stoate or Calhoun describe in their patent the operation of their scanning members as accomplishing "spatial filtering", the fact remains that if Calhoun claims to have "spatial filtering" by utilization of his scanning means then Stoate likewise teaches "spatial filtering".



## 6. Summary

The appellee believes that the Trial Court was correct in finding that the claims in issue (Claims 7-15 and 17-24 inclusive) are not valid and do not meet the statutory requirement of unobviousness as presented in 35 U.S.C. 103. The Court correctly defined the relevant field of art as that field dealing with the detection of objects by electro-optical techniques. The contention by the appellant that no evidence was introduced which supported the Court's finding that the missile and star tracking technology were analogous to the field of bottle inspection was clearly an erroneous representation. The testimony of Ryde and Griest; the Patent Examiner's contentions during prosecution; the definitions of the classes and subclasses searched by the Patent Office; the titles and scope of the patents cited by the Patent Office; the occupational history of the inventors of the '640 patent; the notations in Calhoun's notebook dealing with the Falcon Missile System as applied to bottle inspection; and the correspondence between Mr. George Meyer (president of appellant) and patentee Calhoun all indicate that people with ordinary skill in the art recognize that the detection of any objects by electro-optical techniques were pertinent to bottle inspection as well as to other systems which presented the same basic scientific problem.

The prior art clearly showed each of the elements presented in the '640 patent and each of the elements performed in the '640 patent in the same manner as it performed in the



prior art with no unexpected or surprising result. The '640 patent being a combination patent was tested by the standards set forth in Graham vs. John Deere, supra; Great Atlantic and Pacific Tea Co. vs. Supermarket Equipment Corp., supra; Bentley vs. Sunset House Distributing Corp, supra; Santa Anita vs. Lugash, supra; and M.O.S. vs. John I. Haas, supra.

Whether the relevant art is considered very narrowly as the bottle inspection art or more realistically as the art pertaining the detection of objects by electro-optical techniques, the claims in question are obvious within the meaning of 35 U.S.C. 103 and as such are not entitled to be protected by the patent monopoly. A secondary test such as "commercial success" cannot in any way make patentable what is clearly unpatentable and such a test can only be applied when the question of patentability or validity is in question. Further, there must be some connection shown between the alleged "commercial success" and the features contended to be patentable. The present case does not present a factual basis whereby any importance can be attached to the so-called claim of "commercial success". The evidence indicates that other factors such as additional patents owned or licensed by appellant and appellant's marketing organization contributed to any "commercial success" enjoyed by appellant's machines.

The Trial Court's Findings of Fact and Conclusions of Law dealing with the questions of validity and relevant prior art are solidly supported by the record and should be given great





weight and not reversed unless clearly erroneous.

C. Matters Presented By Appellant Which Are Not Relevant

During the trial and throughout appellant's brief stress is laid upon certain terms, discussed hereinafter which terms are not mentioned in the patent and are, therefore, believed to be irrelevant to consideration of the question of infringement or validity. The test for determining infringement and validity is the claims in the patent.

Nelson v. Batson, 332 F.2d 132 (9th Circuit, 1963).

1. "Spatial Filtering"

One immediate difficulty with this term as with the others to be considered in this section of appellee's brief is to determine its meaning, especially in the context of the '640 patent. There is no reference to this term in the claims, specification or file history of the patent. Mr. Calhoun, in response to a question by Mr. Roston on rebuttal, does not himself give a meaningful definition, but does clearly state that he views it as something separate and apart from the electronics. (Tr. 2365) The Court in its findings of fact, never found that appellee's machines employ spatial filtering. To the extent that the Trial Court made reference to the term in its Findings of Fact, it merely shows the inherent fairness of the Court to make some determination relating to a term constantly discussed by appellant during the trial.

In this regard, it is interesting to note that the Trial Court said:



"The Defendant characterizes its alleged invention as a bottle inspection system which confines a centered optical system with a radial scan to provide spatial filtering. . . ." (Emphasis added) (Finding of Fact No. 4, 1939)

If appellant seeks at this late date to urge upon the Court that a term not found in the patent should serve as a basis for finding a commonality between the claims of the patent and the appellee's machines or to distinguish its claims over those of the prior art, it must fail on both counts, as the Ninth Circuit Court of Appeal has often held that the patent is limited to the reading of the claims. Aerotec Industries v. Pacific Scientific, 381 F.2d 795 (9th Circuit, 1967); Del Francia v. Stanthony Corp., 278 F2d 745 (9th Circuit, 1960).

## 2. "Frequency Discrimination"

This is a term, which again, does not find itself in the specification, the claims or the file history of the patent, but is persistently advanced by the appellant to advance its view that this is the essence or gist of the invention which is somehow common to its claims and to appellee's machines (Appellant's Brief, pages 15 and 32). But it is not the gist of the invention which determines its scope but rather the combination of all of the elements in the claims.

Nelson vs. Batson, supra.

The Trial Court was so unimpressed with this theory advanced on behalf of appellant, that after hearing all of the evidence made no findings relating to such term either to the





claims of the patent as they related to the prior art or to appellee's machines. Further, the Court found specifically in finding 22 (re Claim 7 and others; R. 1948) that the SME machines are "not concerned with rendering a repetitive alternating current signal output at the photocell. Plaintiff's machines are concerned only with the leading edge of a single pulse. . ." (emphasis added). This clearly was in response to appellant's contention at trial of attempting to equate the alternating current detection element of its claims to the slope detection technique of appellee's machines under the banner of "frequency discrimination." Portions of the testimony for supporting the Court's findings in this regard, besides those elsewhere discussed in appellee's brief, may be found in Ryde's testimony at lines 2-5 of Tr. 1473; and at 2169 in Griest's testimony. Additionally at Tr. 541 and concluding at Tr. 603, there was much discussion concerning this term. The Trial Court well understood that the term as it applies to the claims and appellee's machines was a matter of definition or interpretation. See Tr. 602 line 15 through 16 of Tr. 603:

"THE COURT: Let's go back.

Do I correctly understand, Mr. Roston, that what you are looking for now is not what their circuitry is, because you are willing to accept his acknowledgement that it is like Exhibit AD, as explained by Mr. Husome's deposition, but that what you are looking for is some kind of language in the patent applications that will mouth the words "frequency discrimination" or something akin to that, so that you can find admission that they are actually doing frequency discrimination?





MR. ROSTON: That is part of it, your Honor.

THE COURT: Isn't that semantics? Because as I understand it, you people contend that the circuitry contained in AD is frequency discrimination.

MR. ROSTON: Right. The question is what does he contend.

THE COURT: That depends on the definition of frequency discrimination.

You might say that AD demonstrates eight ball, for whatever you contend eight ball means, and then if you want to look and see in their application whether or not they use the words 'eight ball', why, you think you find an admission, but you haven't unless you are talking about -- you are defining 'eight ball' in the same manner."

### 3. Other terms

Other terms in addition to the above two were also advanced by the patent owner at the trial and in its Brief to change the scope of the claims from their wording. Among such terms are "masking", and "edge effects". Neither of these terms are in any of the claims of the patent and should therefore be viewed as irrelevant to any issue in this case.

#### D. A Trial Court Need Not Determine Validity Before Making A Finding On Validity

The appellant (at pages 48 and 49 of appellant's brief) contends that the Trial Court erred in first finding no infringement by plaintiff-appellee before determining the question of validity. The appellant cites no cases or authorities to support such a contention. Further, it is not understood why the Trial Court must deal with the validity question before determining whether the alleged infringing device is within the scope of the claims in issue, regardless of whether the patent is valid or



In M.O.S. v. John I. Haas Co., supra, the Court considered the question of whether a Trial Court must consider the question of validity in an infringement suit. The Court considered the Supreme Court's statement in Sinclair and Carroll Co. v. Interchemical Corp., 325 U.S. 327, 330 (1945) concerning the tendency among lower courts to dispose of infringement suits on the ground of non-infringement without going into validity. The Supreme Court felt the "better practice" would be to inquire into both infringement and validity. The Appellate Court in M.O.S. then stated "at first, this Court as well as other Courts of Appeals, had some difficulty in deciding whether this was a rule or only an admonition. However, it is now settled that it is an admonition." (Emphasis added)

In the present suit, the Trial Court not only determined infringement but also inquired into and ruled on the question of validity. In the Trial Court's Conclusions of Law 12 (R, 1956) and 23 (R. 1958), it determined that all the claims in issue were invalid. Although the Court was not bound to inquire into validity it followed the "better practice", referred to in the M.O.S. and Sinclair cases, and found the claims in issue to be invalid. Whether the Trial Court determined the question of validity prior to or after finding no infringement is of no consequence.



## V. SUMMARY AND CONCLUSION

Appellee has presented clear evidence in the record supporting the trial court's determination of non-infringement and invalidity.

It appears that concerning the fact finding of the trial court regarding non-infringement that the appellant has not attempted to compare the evidence presented on both sides of a given fact in dispute in order to show that the trial court's findings were clearly erroneous. Instead it appears that appellant is in effect saying that based upon the evidence favorable to it the Court ought to have rejected the contrary evidence and found differently. This we submit is not a proper basis for review of a trial court's determination of facts.

Similarly, on the issue of invalidity, ample support is given both in law and in fact to support this determination of the trial court.

To suggest as appellant does, in its Brief, that its only witness on the merits regarding the issues of infringement and validity should be belived, as opposed to the testimony given by appellee's witnesses Husome, Stoate, Griest and Ryde (the latter three of whom clearly have no interest in the outcome) is to beggar a reply. Their backgrounds, all of which are in the transcript, speak for themselves. And certainly appellant's case was not proven directly or indirectly in whole or in part from the testimony of appellee's witnesses either on direct or cross-examination.

In addition, it is clear that this continued disagreement





as to facts grows out of a difference in the testimony of Mr. Calhoun from the contrary testimony of appellee's witnesses. On at least one critical issue, the non-equivalents of alternating current to slope detection of a pulse, one of the co-inventors of Mr. Calhoun disagrees with him and agrees with the position of appellee. (Williams' deposition page 129, lines 10-26; Tr. 71 and Tr. 810). Thus it is submitted that less weight should be given to the position of appellant as testified to by Calhoun where such is contradicted by other testimony which is not biased.

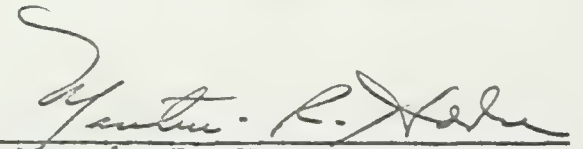
At another portion of Williams' deposition in evidence (Tr. 71), Williams testified (at page 91 of his deposition) that Industrial Dynamics never actually used a single spoke reticle. This is in direct opposition to Calhoun's testimony at Tr. 481-486.

Therefore, the judgment and order of the Court below on the issues of infringement and validity should be affirmed.

Dated: June 10, 1968

Respectfully submitted,  
SPENSLEY, HORN AND JUBAS

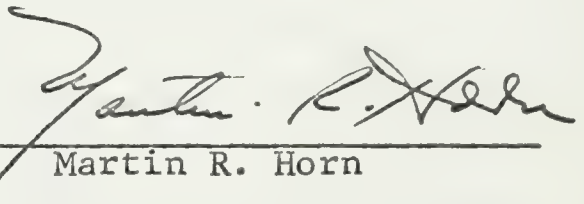
By:

  
Martin R. Horn  
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CERTIFICATE

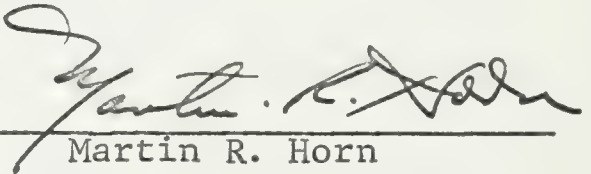
I certify that, in connection with the preparation of this Brief, I have examined Rules 18, 19 and 39 of the United States Court of Appeals for the Ninth Circuit, and that, in my opinion, the foregoing Brief is in full compliance with those rules.

  
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Martin R. Horn



AFFIDAVIT OF SERVICE

The undersigned hereby certifies that three (3) copies of the within Brief were this 11th day of June, 1968, served upon Ellsworth R. Roston, Esq. of Smyth, Roston and Pavitt, Attorneys for Appellant, by enclosing the same in a postpaid wrapper addressed to said attorney at Suite 320, 4262 Wilshire Boulevard, Los Angeles 5, California, and depositing the same in the United States mail.

  
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Martin R. Horn





## APPENDIX A

### FINDINGS OF FACT AND CONCLUSIONS OF LAW

#### FINDINGS OF FACT:

1. The Findings of Fact filed with the Court and signed on January 24, 1967, following trial on the issues of defendant's alleged misuse of the patent in suit are incorporated herein and made a part hereof by reference.

2. Claims 1 to 6, inclusive, and 16 of the patent in suit are not at issue. Claims 7 to 15, inclusive, and 17 to 24, inclusive, of U. S. patent No. 3,133,640 are at issue, with claims 7, 9, 18, 22, 23 and 24 designated by the defendant as representative of these claims.

3. The terminology of the patent in suit seems as understandable and reasonably precise as the respective contexts require. The descriptions contained in the patent in suit are sufficiently concise and clear to enable one skilled in the art to construct that which is taught by the patent.

4. The defendant characterizes its alleged invention as a bottle inspection system which combines a centered optical system with a radial scan to provide spatial filtering for the generation of signal components of a particular frequency or a range of frequencies representing small particles in the bottom of the bottle, electronic circuits for selecting the particular frequency or frequencies representing particles in the bottom of the bottle, and electronic circuits for detecting direct current at a particular level to reject opaque bottles and bottles with relatively large particles in the bottom of the bottles.

5. Reading the patent as a whole, in the light of the evidence presented relating to prosecution of the patent and the teachings of the prior art relating to bottle inspection and missile and star tracking, the Court finds that:

(a) With respect to the use of AC, the drawings and the specifications describe a device whose fundamental purpose is to detect a foreign particle by causing it to set up an alternating current signal of a particular frequency. The nature of the signal indicative of the presence of small particles in the bottle is characterized at column 2, lines 61-64 of the patent where it is stated that "As a result (of small particles of dirt in the bottle)



the output of the photocell will be an alternating current signal, the frequency of which basically is determined by the speed of rotation of the reticle times the number of spokes." The selection of this frequency, or reasonably discriminated band of frequencies (for rejection purposes), is accomplished by the LC tuned circuit, which is the heart of the frequency discrimination concept of the '640 patent. The '640 patent teaches the use of RC circuits as couplers, and not as differentiators. If '640 did use their circuits as differentiators, such would destroy the essence of the circuit by reducing the selectivity of the LC circuit. The detection of an alternating current signal, as contemplated by the patent, is predicated on the particular frequency of the signal. Counsel for the defendant states that the circuit disclosed in the patent is merely an embodiment of the invention, but the Court finds that it is the essence of the disclosure of the patent, insofar as the use of AC is concerned.

(b) The '640 patent discloses a centered optical system whose essential element is a rotatable light chopping disc centered on an axis of rotation that lies, at all times during inspection, within the periphery of the container.

(c) As taught by the patent, the term "axis of rotation" of the disc and "center of rotation" of the disc are synonymous. However, the use of reflective optics in plaintiff's device is equivalent to the use of refractive optics in the embodiment disclosed in the '640 patent.

(d) The '640 patent discloses a multi-spoked reticle having more than one translucent area and more than one opaque area alternately disposed with the translucent areas, each of the areas extending radially from the center of the disc. The '640 patent does not include a disc having a single reflective line with the remainder of the surface opaque.

6. Where appearing in the patent in suit, such terms as "AC", "alternating current", "alternating current signal", and "substantially alternating current" or the like, mean an alternating current signal which has a substantially constant and repetitive pattern with a substantially predetermined time relationship between successive portions of the signal. Although the plaintiff's machine produces an alternating current signal, it is only concerned with the initial slope of the first pulse thereof, and is not concerned with matters of frequency or repetitive pattern.





7. All of the claims of the patent in suit which employ terms such as "reticle", "disc", "scanning means", "annular member" or the like mean a reticle including at least two radial opaque areas and two transparent areas.

8. Neither the specification nor the drawing contained in the '640 patent discloses anything different from the production of an AC signal having a particular frequency indicative of the presence of small particles in the container; nor do the specification or drawing disclose anything different from a multi-spoked reticle having more than one transparent segment and more than one opaque segment extending radially from the center of the reticle.

9. The nature of the art we are here concerned with is the detection of foreign objects in a field of view by electro-optical techniques, rather than being limited to the bottle inspection field. (This finding also appears as conclusion of law No. 5.)

10. Electro-optical systems for the detection of objects in the sky, detection of material moving on a conveyor, detection of the presence of objects moving on the ground, and detection of objects in a container, all are systems which reside in an analogous art, and such systems employ similar elements in a similar relationship for a similar purpose. Further, such systems are related by the end object of seeking to detect an object having distinct light or dark characteristics in a background of different light or dark characteristics.

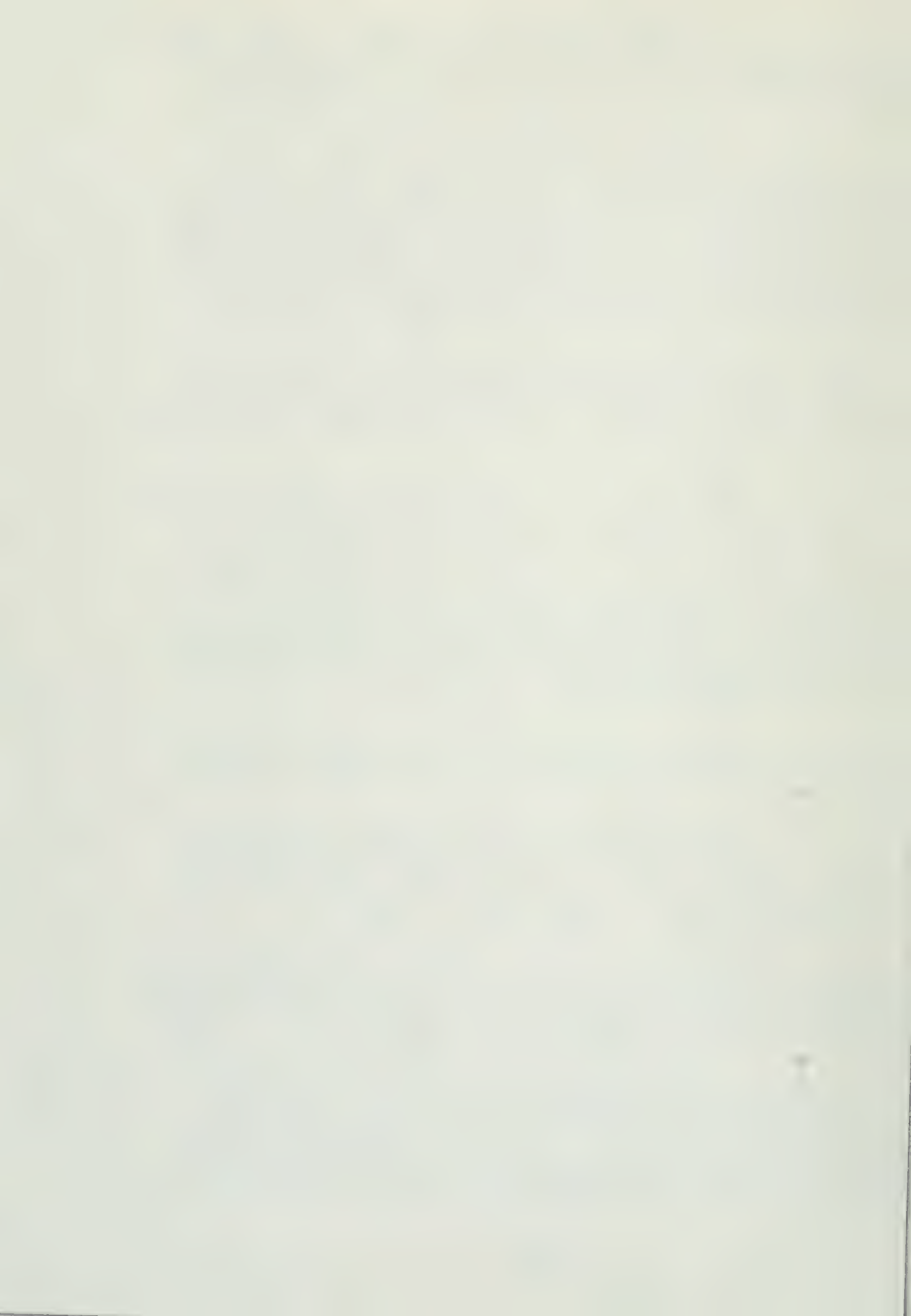
11. The Court finds that each of the elements of the patent in suit as hereinabove discussed was well known in the prior art:

(a) A centered optical system, including a disc providing a radial scan, is disclosed in the British patent No. 517,229 issued to Stoate January 24, 1940, and United States Patent No. 3,034,405 filed October 13, 1953, and issued to Biberman, et al., May 15, 1962.

(b) The use of DC to detect large objects in a container is disclosed by Stoate '229; United States patent No. 2,265,037 issued to Gulliksen December 2, 1941; United States patent No. 2,439,490 issued to Schell April 13, 1948.

(c) The use of AC to detect foreign objects is disclosed by United States patents to Fitz-Gerald No. 2,016,036; Biberman No. 3,034,405; Schell No. 2,439,490; and Weathers No. 2,427,319. The art of attenuating signal components having undesirable frequencies in an AC signal to emphasize other signal components having a particular





frequency or frequencies in the AC signal is well known. The art of emphasizing the signal components having the particular frequency or frequencies in the AC signal is also well known.

(d) The Stoate '229 patent discloses a DC system, but does not disclose or contemplate the concept of spatial filtering for the generation of signal components of different frequencies and the selection by electronic techniques of the frequency or frequencies representing small particles in the bottom of the bottle.

(e) The Biberman '405 patent discloses a missile or star tracking system but does not disclose a bottle inspection system. The Biberman '405 patent is the only reference specified in paragraphs 11(a), 11(b) and 11(c) of the Findings of Fact that discloses a centered optical system with a radial scan for providing spatial filtering.

(f) No single reference cited by plaintiff discloses a bottle inspection system employing techniques of spatial filtering or the combination of spatial filtering and electronic frequency selection as defined in paragraph 4 of these Findings of Fact.

12. (a) The '640 patent discloses the first system for detecting small particles in the bottom of a bottle while scanning the bottom of the bottle, including the edge of the bottle, without masking the edge of the bottle.

(b) The need for a satisfactory machine for inspecting empty bottles for foreign particles existed for a considerable period of time before the invention of the embodiment of the '640 patent.

(c) The invention of the '640 patent has enjoyed considerable commercial success.

(d) For all practical purposes, the only machines now being sold in the United States for inspecting empty bottles for foreign particles are those being manufactured by the defendant, the plaintiff, and the Barry-Wehmiller Co. The machine being manufactured by Barry-Wehmiller Co. was developed by Wyman, one of the inventors of the '640 patent, and Husome, president of plaintiff and the person who developed plaintiff's machines.



13. Each of the elements in the patent in suit is employed in substantially the same way, and functions in substantially the same manner, as its counterpart in the prior art. However, all of the elements in the patent in suit do not have counterparts in the field of bottle inspection.

14. Of the above-mentioned prior art references, only Fitz-Gerald '036 was before the United States Patent Examiner. However, the Patent Office cited references disclosing centered optical systems with radial scans in the field of star tracking and missile tracking systems, and the defendant, through its attorneys, called other similar references to the attention of the Patent Office. Such references further disclosed the concept of spatial filtering in the star tracking and missile tracking field. The '640 patent was granted over such references.

15. Upon review of the evidence adduced, the Court finds that the following patents are part of the relevant prior art:

(a) Stoate '229 teaches the use of a centered optical system with a rotatable scanning member having a single radial slit. The scanning member is disposed above the bottle being inspected, with its axis of rotation coincident with the common axis of a light source, bottle and a photocell. Defendant knew, through other attorneys than those prosecuting the applications which resulted in the grant of the '640 patent, of the Stoate '229 patent prior to its argument before the Patent Office to the effect that the centered optical system was an important and novel part of the invention disclosed and claimed by defendant and that defendant was the first to include a centered optical system for the bottle inspection machine disclosed and claimed by defendant.

However, the defendant's attorneys were not convinced at that time that such references actually disclosed a centered optical system, and the defendant did not practice any fraud by any failure on its part to call the Stoate '229 patent to the attention of the Patent Office.

(b) Biberman '405 discloses, in a star tracking or missile tracking system, a centered optical system including a reticle with alternately disposed opaque and translucent areas for the detection of a foreign object in a field of view. Biberman '405 further suggests the use of AC circuitry tuned to a particular frequency to detect a foreign object in a field.





(c) Schell '490 and Weathers '319 teach the combination of an AC signal for the detection of small foreign particles in a field of view, and a threshold or DC level signal for the detection of opaque bottles and large particles in bottles. Further, the Weathers patent discloses the detection of foreign particles in the field of view by use of a tuned circuit.

The defendant's attorneys were aware of the teachings of the prior art mentioned above in this paragraph at the time they argued before the Patent Office in support of their application for the '640 patent, and they did not call such prior art to the attention of the Patent Office. However, the defendant's attorneys did not intentionally withhold anything from the United States Patent Office that they concluded was relevant.

16. The patent in suit is a combination patent.

17. The detection of objects in a field of view in the star tracking or missile tracking field occurs in a relatively homogeneous background. The detection of a small foreign particle in the bottom of a bottle occurs in a substantially non-homogeneous background, especially since the signal components produced by scanning the edges of the bottle have a much greater intensity than the signal components produced by scanning small particles in the bottom of the bottles. Nonetheless, the Court finds that both come within the art here concerned as defined in paragraph 9 hereof.

18. Some of the problems presumably encountered and solved in the development of the defendant's alleged invention were previously recognized and solved by others in the field of missile or star tracking prior to the filing of the '640 patent application by the inventors. Other such problems were previously recognized and solved in the field of bottle inspection prior to the filing of the patent application by the inventors. Some of the problems specific to the bottle inspection field, including the effects of the edge of the bottle, was neither recognized nor solved by others prior to the filing by the inventors of the patent application which matured into the '640 patent.

19. The Court finds that both Williams and Calhoun, the named co-inventors of the patent in suit, possessed at least ordinary skill in the guided missile and missile tracking field, wherein the use of spaced recticle-AC systems for the electro-optical detection of objects against a background was well known prior to filing the patent application for the patent in suit. After organizing Industrial Dynamics, the inventors devoted a number of months in unsuccessful attempts to develop an operative system for detecting





particles in empty bottles before deciding that a scanning type of system was best suited for bottle inspection. Once it was decided that a centered optical system with a radial scan was best suited for bottle inspection, Industrial Dynamics Corporation required only approximately one month to design and construct its first prototype of the machine described in the patent. While the inventors appeared to have had some developmental problems, they were mostly engineering problems, i.e., problems related to the application of the inventor's mechanical and electronic skills.

20. The inventors constructed a number of different embodiments before filing in the Patent Office the patent application which formed the basis of the '640 patent. These embodiments were operative. They included systems having a reticle with a single translucent area and with a single opaque area and with the opaque area considerably larger than the translucent area, the reticle being included to provide spatial filtering when the reticle rotated. These embodiments further included RC circuits to detect the signal components representing small particles in the bottom of the bottles by selecting the range of frequencies representing such particles from other frequencies after the generation of such different frequencies by spatial filtering.

21. What the named inventors did would not be surprising or unobvious to a person skilled in the art.

22. Plaintiff's machines (the allegedly infringing 303 and Slimlight) seek the same end result of detecting foreign particles in a container as does the machine described in defendant's patent. However, the means employed by the SME devices to reach this end result are dissimilar from those taught by the patent in suit. The enumerated respects in which the Court finds them dissimilar are set forth in rather telegraphic reference to the wording of the following claims:

Claim 7.        (a) The different areas of the bottle scanned by the SME machines do not include the center and progressive portions of the periphery of the bottle. In the SME machines the scanning member is rotating at a high rate of speed while the bottle is in continuous motion across the inspection zone. The mirrored slit of the SME scanning member does not extend beyond the center of the member. Therefore, before the center of the bottle reaches the axis of rotation, the scan of the trailing one-half of the sweep does not include the center of the bottle; and the



instant the center of the bottle goes beyond the axis of rotation, the scan of the lead one-half does not include the center of the bottle.

- (b) The detection circuitry of the SME machines is not concerned with rendering a repetitive alternating current signal output at the photocell. Plaintiff's machines are concerned only with the leading edge of a single pulse of electrical energy indicative of the presence of a foreign particle in the container. The fact that the photocell does set up a repetitive alternating current signal is irrelevant to the operation of the SME machine.
- (c) The rejection of a bottle by the SME machine is not dependent upon an alternating signal of a hoped for particular frequency or a discriminated band of frequencies as taught by the patent in suit. In the SME machines, rejection is primarily dependent upon the rate of change of amplitude of a single pulse of electrical energy indicative of the presence of a foreign particle. Such rejection derivative is achieved through the use of an RC differentiating network. The patent in suit teaches rejection selection through the use of an LC tuned circuit responsive to a particular frequency. While plaintiff's machines are concerned only with signals in the 200-5000 c.p.s. range, this is not comparable to the '640 patent wherein a specific frequency, dependent on the speed of rotation of the scanning disc times the number of disc spokes, is sought to be selected.

Claim 9.

- (a) The progressive segments of scan of the scanning member of the SME machines do not, at all times during the complete inspection period, include the center of the bottom of the bottle and progressive portions of the periphery, as discussed with respect to claim 7.
- (b) In the SME machines, the center (axis) of rotation of the rotatable means is not





actually disposed within the bottom of the container. However, while the actual center (axis) of rotation lies outside of the periphery of the bottom of the container, the optical axis, bent by the mirrored surface of the rotating member, does lie within the periphery of the bottom of the container. The offset of the axis of rotation of the SME rotating member is effected to provide a means for scanning the neck of the bottle, a result that is not achieved or taught by defendant's disclosure. This offsetting is done for a purpose that is unrelated to a simple attempt to avoid the charge of copying the claim, and the doctrine of equivalents for this reason is found not to apply.

- (c) As stated above with respect to claim 7, the SME machines are not concerned with indicating the presence of foreign particles by means of alternating signals in a relevant sense as taught by the patent.

Claim 18.

- (a) In the SME machines, the scanning area is not "substantially greater" than the size of the particle sought to be detected, in the sense that the quoted words are used in the '640 patent.
- (b) Because of the motion of bottle through the inspection zone, the SME scanning areas do not include, at each instant, the center and a portion of the periphery of the container. This is discussed above with respect to claim 7.
- (c) The circuitry of the SME machines does not undertake to detect particular alternating components in the photocell output signal in the manner taught by the patent in suit. In a detection sense, the machine taught by the patent in suit is interested in alternating signals of a particular frequency. As indicated hereinabove, with respect to claim 7, the SME machines are interested only in the slope or rate of change of the magnitude of a single pulse.





- (d) The SME machines are not concerned with particular levels, or magnitudes, of an AC Signal produced by the photocell as taught by the patent in suit. Plaintiff's machines are responsive only to the rate of change of magnitude of a pulse and not the ultimate magnitude of the pulse.

Claim 20.

- (a) As set forth in the findings relating to claim 9, the center (axis) of rotation of the SME scanning member is not within the periphery of the container.
- (b) The progressive segments of the areas of the bottle scanned by the SME machines do not include the center and portions of the periphery of the bottle. This was discussed above with respect to claim 7.
- (c) The SME machines are not concerned with producing an alternating current signal at a particular frequency and magnitude related to the size of the particle. The rejection portion of the circuitry of the patent in suit will reject a bottle only if the input thereto is an AC signal having a particular frequency, or selected range of frequencies, indicating the presence of a foreign particle. In the SME machines, the detection circuitry will accept signals over a broad range of frequencies but reject a bottle only if a single pulse received indicates a particular rate of change of magnitude.

Claim 21.

- (a) For the reasons indicative hereinabove with reference to claim 9, the center (axis) of rotation of the SME scanning member is not within the periphery of the bottle to be inspected.
- (b) As stated hereinabove with respect to claim 18, in comparison with the teachings of the '640 patent, the SME area of scan is not substantially larger than the cross-sectional area of a dirt particle sought to be detected.
- (c) The area of scan of the SME machines at any instant does not include the center of the bottle to be inspected.



Claim 22: (a) For reasons indicated hereinabove with respect to claim 7, the plaintiff's machines are not concerned about rendering an alternating current signal output, nor is the rejection of a bottle based upon an alternating signal in a relevant sense as taught by the patent in suit.

Claim 23: (a) For the reasons indicated hereinabove with respect to claim 7, the plaintiff's machines are not concerned with rendering an alternating current signal output in a relevant sense as taught by the patent in suit.

(b) The SME machines do not use an amplifier mean tuned to a specific frequency range. The fact that the plaintiff's machines set up frequencies ranging from 200 to 5000 cycles per second, does not constitute focusing on a "specific frequency range" in the sense taught by claim 23. Consequently, plaintiff's machines are not constructed to reject a bottle on the basis of an alternating current signal having a frequency within a specific range.

Claim 24: (a) The scanning member of the SME machines is not on a center located within the periphery of the bottle. This is discussed with reference to claim 9.

(b) As opposed to the teachings of the '640 patent, the SME scanning member does not have alternate radial opaque and translucent areas. Reading the patent as a whole, the term "areas" means more than one with respect to both opaque and translucent respectively. Referring to the SME scanning member it cannot be said that the opaque area extends in a radial direction out from the center in the same or similar sense as the opaque areas of the scanning disc disclosed by the patent in suit.

23. Based upon statement of defendant's counsel that the defendant is willing to predicate its case upon the claims hereinabove discussed, the Court has limited its detailed discussion to those claims. However, the evidence establishes, and the Court finds, that the remaining claims





at issue, namely 8, 10-15, inclusive, 17, 19 and 20 are not infringed by the SME machines.

## CONCLUSIONS OF LAW

1. The Findings of Fact and Conclusions of Law filed with this Court and signed January 24, 1967, following trial on the issues of the defendant's alleged misuse of the patent in suit are incorporated herein and made a part hereof by reference.

2. This Court has retained jurisdiction of the parties and of the causes of action set out in the Complaint and Counterclaim.

3. All of the remainder of the claims are properly at issue, and the defendant has chosen to predicate its case upon claims 7, 9, 18, 22, 23 and 24.

4. 35 U.S.C.A. Section 282 provides in part, "A patent shall be presumed valid. The burden of establishing invalidity of a patent shall rest on a party asserting it." Plaintiff herein is charged with that burden.

5. Whether arts are analogous depends upon the similarity of their elements and purpose. If elements and purpose in one art are so related and similar to those in another art that the relationship would appeal to the mind of a person having mechanical skill and knowledge of the purposes of the other, then the arts may be said to be analogous. The nature of the art or field of interest we are here concerned with is the detection of objects in a field of view by electro-optical techniques, rather than being limited to the bottle inspection field. (See also Finding No. 9.)

6. Electro-optical systems for the detection of objects in the sky, detection of material moving on a conveyor, detection of the presence of objects moving on the ground, and detection of objects in a container, all are systems which reside in an analogous art, and such systems employ similar elements in a similar relationship for a similar purpose. Further, such systems are related by the end object of seeking to detect an object having distinct light or dark characteristics in a background of different light or dark characteristics. (See also Finding No. 10.)

7. Both parties have properly characterized the patent in suit as a combination patent. In construing the patent, it must be read as a whole and the claims interpreted in the light of the specifications.





8. The evidence establishes and the Court concludes that each element of the patent in suit is anticipated in prior art references as such prior art is defined in Conclusions 5 and 6 hereof. No single element of the patent in suit constitutes invention. Scrutiny of combination claims should be even more detailed when, as with the patent in suit, the old elements have been previously employed in a similar relationship for a similar purpose, or when the elements perform the same function in combination as out of it.

9. Even if all the claims here in issue disclosed the combination of all of the elements of the alleged invention, each of such claims would be invalid for lack of invention over the prior art here concerned. "A patent for a combination which only unites old elements with no change in their respective functions,. . . obviously withdraws what already is known into the field of its monopoly and diminishes the resources available to skillful men."

Farr Co. v. American Air Filter Co., 318 F.2d 500,  
503 (9th Cir. 1963).

10. The validity of the '640 patent depends on the disclosure of a combination that "produces in some way or manner a surprising or unusual result which would not have been expected by a person having ordinary skill in the art."

Canadian Ingersoll-Rand Company v. Peterson Products  
of San Mateo, 223 F. Supp. 803, 808 (N.D. Calif.  
1963).

11. No claims in the patent are so broad as to purport to include each of the elements of the combination that the defendant contends for its patent, as set forth in Finding of Fact No. 4.

12. All of claims 7 to 15, inclusive, and 17 to 24, inclusive, are invalid as being obvious under 35 U.S.C.A. Section 103.

13. If the missile and star tracking field cannot be properly considered with the bottle inspection field as a single art of detecting objects in a field of view by electro-optical techniques, the system disclosed and claimed in the '640 patent constitutes an invention over the prior art relating to bottle inspection, and the patent is valid.



14. On each of plaintiff's allegations, the Court concludes that the defendant has not practiced a fraud on the United States Patent Office in its prosecution of the application for the patent in suit.

15. Plaintiff's contention that the claims of the patent in suit must fail because they are fatally ambiguous, indistinct and indefinite is rejected. Further, the Court concludes that the description contained in the patent in suit is sufficiently clear and concise to enable one skilled in the art to construct the disclosure thereof.

16. The Court concludes that the patent in suit does not fail for improper joinder of inventors. Plaintiff has failed to bring forth sufficient evidence tending to show that Wyman was not a proper co-inventor on said patent.

17. The previously stated conclusions of the Court with respect to the validity of the patent in suit preclude the necessity for the Court to rule upon plaintiff's contentions that claims 7 to 15, inclusive, and 17 to 24, inclusive, are invalid because they were filed more than one year after public use began.

18. The burden of proof is upon the one asserting infringement to establish the infringement of a patent by a preponderance of the evidence.

19. Where the elements of the patent are found in various prior patents in the same art field of interest, the patent will be construed strictly according to its terms. The terms in a patent must be strictly construed against the patentee in determining infringement. Claims must be construed not only in the light of the specification and drawings, but also with reference to the file history; claims must always be explained by and read in conjunction with, the specification and in the light of definitions and admissions made by the applicant in Patent Office proceedings.

20. In order for a patent to be infringed, each and every element of at least one of the claims of the patent must find its counterpart in the accused device, a situation that is not present here as to any claim.

21. In order to constitute equivalency of devices, it must be established that the same or similar functions are performed in substantially the same way or manner or by the same, or substantially the same, principle or mode of operation. Although the device disclosed in the '640 patent and the SME devices are similar from the standpoint of result (or function) (save the neck detection function of the SME machines, a capability not achieved by defendant's



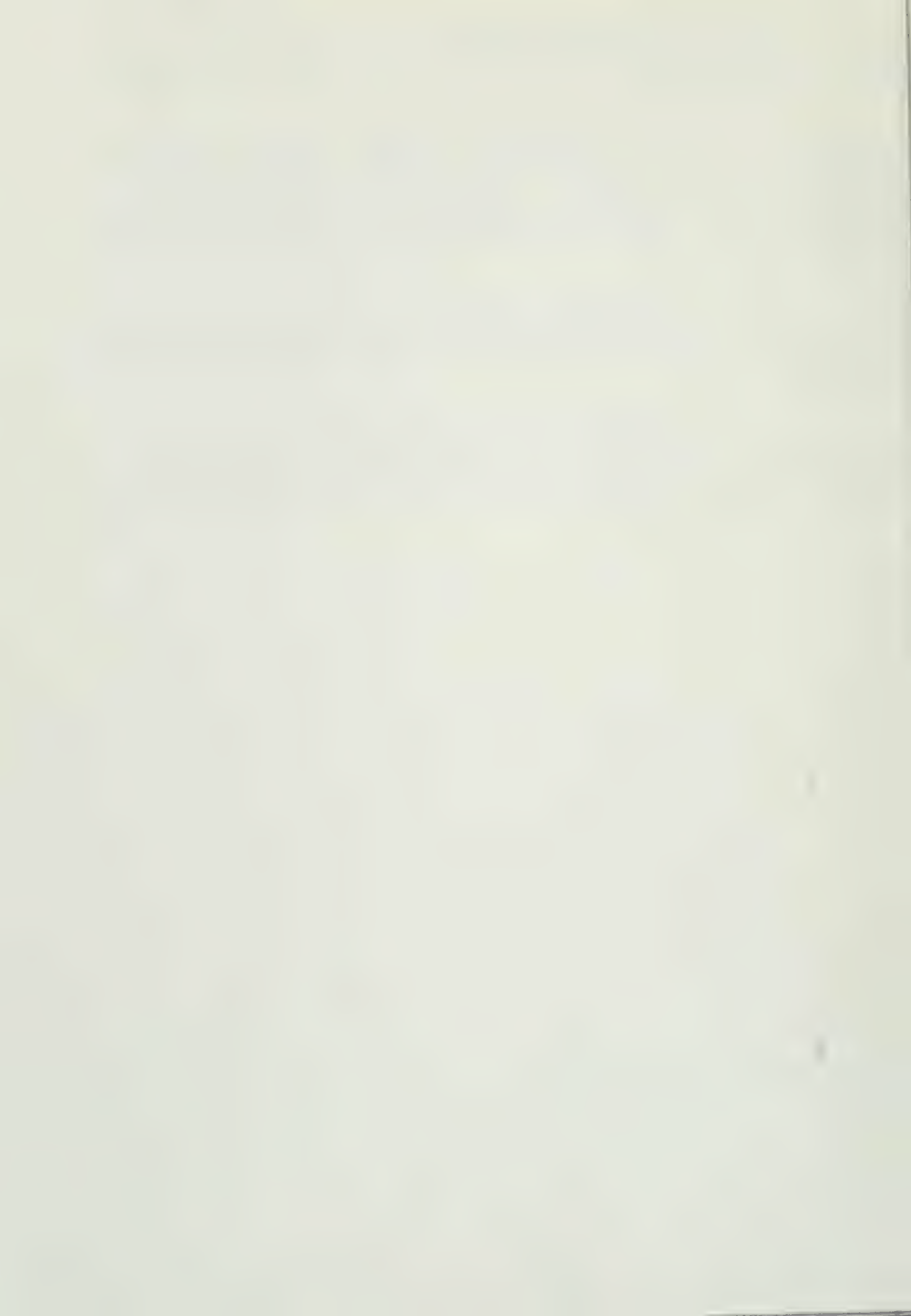
device), they are dissimilar as to the means of achieving these results (or performing these functions), and therefore are not equivalent.

22. An invalid patent may not be infringed, and the Court accordingly concludes that none of the claims here concerned are infringed by the plaintiff's machines. Moreover, even if the patent in suit were in any respect to be declared valid, the Court concludes that it is not infringed, in light of Conclusion No. 20 hereof and Finding of Fact No. 22.

23. Plaintiff is entitled to a declaratory judgment on its Complaint that claims 7 to 15, inclusive, and 17 to 24, inclusive, of the patent in suit are invalid and not infringed.

24. Plaintiff is further entitled to a judgment dismissing defendant's Counterclaim and awarding costs to plaintiff for the portion of the litigation relating to patent validity and infringement. Each party will bear its own attorney's fees.





## APPENDIX B

### DESCRIPTION OF THE MOST PERTINENT ART

#### Stoate British Patent 517,229 (Ex. 44)

Stoate teaches a scanning system with a centered optical scan. Stoate detects particles in an empty transparent vessel (e.g., bottle) by utilizing a screen or reticle, a light source and a light sensitive device (e.g., a photocell) which are aligned along the axis of the vessel. The screen or reticle used has a slit or aperture. Relative movement is then provided between the vessel and the slit so as to cause the latter to scan the entire surface to be examined. Stoate teaches inspecting of a stationary vessel by means of a rotating scanning member. Light is directed from the light source upwardly through the slit and the vessel to the light sensitive device. When a particle interrupts the light, the average amount of light reaching the light sensitive device decreases to provide an indication of the particle.

#### Stoate U. S. Patent 2,100,227 (Ex. 45)

Stoate discloses an apparatus for detecting foreign particles on the bottom of transparent vessels. The apparatus utilizes a support having a scanning slit therein, a light sensitive device (e.g., a photocell) disposed beneath the scanning slit and a source of light disposed so that the light is directed through the bottom of the vessel onto the slit. The vessel is rotated about its longitudinal axis and when



particles are present the amount of light reaching the light sensitive device varies to give a signal. The signal indicates when particles have caused the light reaching the light sensitive device to be reduced below a predetermined level thereby initiating an ejecting mechanism to remove the vessel containing the particles.

R.C.A. Machine (Schell and Weathers U. S. Patents 2,439,490 and 2,192,568) (Exs 46 and 47)

The R.C.A. machine deals with a system for inspecting full bottles for particles. A turntable imparts motion to the bottles causing them to spin. When the turntable stops the liquid contents continue to swirl and inspection of the contents is effected by electro-optical means. An optical system is used comprising a beam of light and two banks of photocells. The light beam passes through the fluid contents of the bottle and is distributed between the two banks equally. In the absence of any particle, the output of one bank of photocells is balanced against the output of the other bank. When a particle is present, an unbalance is produced as the particle crosses the beam of light causing a signal to be produced which is dependent on the size of the particle or particles. The signal produced by the photoelectric means is fed into an A.C. amplifier tuned to a fundamental or peak frequency corresponding to the speed of rotation of the contents. A D.C. amplifier is controlled by the A.C. amplifier to actuate a relay circuit above a predetermined signal level.



Biberman teaches a centered multislit scanning system (e.g., alternate opaque and transparent sectors on a disc) for detecting an object from a background. The scanner emphasizes the object signal and substantially suppresses the background signal. The system disclosed utilizes an object signal generator having an optical means for focusing electromagnetic radiation on a rotatable disc-like scanner driven by a motor connected to the scanner. The disc-like scanner contains a plurality of slits comprising opaque and transparent sectors. The variations caused by the objects on the background provide variations in the electromagnetic radiation which are converted into an alternating current by a photosensitive device.

Jones U. S. Patent 3,134,022 (Ex. 112)

Jones teaches a signal detector for use with a radiation sensor. Jones provides a signal detecting circuit capable of selecting one frequency (the desired signal) in the presence of other unwanted signals. Also, Jones teaches that it is well known that an object may be viewed by a suitable photosensitive detector device to give an electrical output. A chopping action is performed which comprises the alternate viewing and obscuring a field of view in alternate sectors. The chopping action does not effect the background radiation which is constant, but does effect the object radiation thereby producing an alternating





current (A.C.) signal. The resulting output of the photo-sensitive detector device, therefore, has two components, one is A.C. representing the object radiation and the other is a mean level (direct current or D.C.) representing the background radiation.

Gulliksen U. S. Patent 2,265,037 (Ex. 120)

Gulliksen teaches a system for inspecting bottles in which a lens is rotated and a secondary lateral movement is effected to produce a spiral scan. The lens is positioned between a light source and a bottle so that the entire bottom of the bottle is scanned as the lens follows its spiral path. A phototube is positioned above the bottle to receive the light passing through the bottle. An electrical pulse is provided at the photocell whenever a particle interrupts the light passing through the bottle. This impulse indicates the presence of a particle or particles and is sent to an impulse amplifier to operate a suitable alarm device.

Stoate et al U.S. Patent 2,636,602 (Ex. 43A)

This patent is concerned with a system for detecting foreign bodies on the bottom of transparent vessels (e.g., glass bottles). The system utilizes a scanning member, a source of light and a photoelectric device (e.g., a photocell) activated by light of a predetermined level. The photoelectric device is arranged to control a thermionic amplifier which



produces an electrical signal when the photoelectric device is darkened by a shadow in the scanning field. The amplifier comprises coupling circuits utilizing a blocking capacitor or the amplifier is otherwise arranged so that it will correspond to a rapid change of illumination of the photoelectric device such as is caused by the passage of a scanning aperture across a shadow in the scanning field. However, the circuitry will not be affected by variations in the mean intensity of illumination due to a variation in the general illumination of the scanning field. Thus, the apparatus is insensitive to background variations such as color, lettering, etc.

FOR A FURTHER DEVELOPMENT OF THE PERTINENT PRIOR ART THE COURT'S ATTENTION IS DIRECTED TO EXHIBITS 104, 105 AND 111.



APPENDIX C

I. PLAINTIFF'S EXHIBITS

<u>Plaintiff's Exhibits</u>	<u>For Identification</u>	<u>In Evidence</u>
1	119	123
2	119	123
3	129	130
4	185	190
5	195	197
6	258	260
7	274	274
8	276	276
9	278	278
10	292	292
11	292	292
12	297	297
13	297	297
14	316	317
15	339	341
16	339	341
17	347	349
18	350	351
19	350	351
20	350	351
21	369	370
22	389	390





Plaintiff's ExhibitsFor IdentificationIn Evidence

23	389	390
24	393	394
25	393	394
26	398	398
27	399	399
28	401	401
29	420	421
30	423	425
31	423	425
32	426	427
33	426	427
34	506	508
35	545	546
36	545	547
37	545	563
38	545	563
39	568	
40	687	688
41	690	691
42	693	693
43	693	694
44	694	696
45	701	701
46	701	704
47	704	710



<u>Plaintiff's Exhibits</u>	<u>For Identification</u>	<u>In Evidence</u>
48	711	711
49	712	733
50	742	
51	746	750
52	823	1612
53		861
54		926
55	947	948
56	947	948
57	947	948
58	949	953
59	954	955
60	972	1089
61	1058	1561
62	1068	
63	1084	1084
64	1086	1090
65	1094	1466
66	1106	1106
67	1142	1142
68	1161	1162
69	1166	1166
70	1375	1397
71	1414	1612
72	1415	



<u>Plaintiff's Exhibits</u>	<u>For Identification</u>	<u>In Evidence</u>
73	1416	1491
74	1439, 1438	1438
75	1441	1455
76	1441	1610
77	1449	1452
78	1463	1465
79	1477	1637
80	1490	1491
81	1513	1513
82	1550	1550
83	1570	1574
84	1575	1575
85	1591	1591
86	1600	1609
87	1616	1632
88	1633	1633
89	1636	1793
90	1642	1642
91	1648	1648
92	1655	1660
93	1660	1666
94	1666	1673
95	1667	1673
96	1673	1677
97	1679	1681





<u>Plaintiff's Exhibits</u>	<u>For Identification</u>	<u>In Evidence</u>
98	1681	1684
99	1695	1695
100	1926	1926
101	1931	1949
102	1932	1971
103	1932	1971
104	1949	2159
105	1951	2178
106	1971	1984
107	1995	2193
108		2010
109		2085
110		2112
111	2131	2151
112	2152	2153
113	2152	2153
114	2152	2153
115	2152	2153
116		2150
117	2177	2178
118	2177	2178
119	2179	2187
120		2193
121	2195	2201
122	2201	2203



## II. DEFENDANT'S EXHIBITS

<u>Defendant's Exhibits</u>	<u>For Identification</u>	<u>In Evidence</u>
A	146	147
B	443	447
C	473	478
D	492	493
E	102	108
F	108	108
G	110	110
H	118	118
I	124	124
J	154	154
K	167	167
L	174	174
M	181	181
N	186	186
O	221	221
P	229	231
Q	232	242
R	242	242
S	243	245
T	245	247
U	249	251
V	253	253
W	254	254



<u>Defendant's Exhibits</u>	<u>For Identification</u>	<u>In Evidence</u>
X	258	259
Y	260	264
Z	269	295
AA	298	529
AB		337
AC	359	360
AD	360	360
AE	363	668
AF	409	429
AG	472	480
AH	481	486
AI	486	490
AJ	490	492
AK	402	493
AL	494	494
AM	517	523
AN	524	524, 2354
AO	564	565
AP	610	618
AQ	618	2353
AR	622	622
AS	623	623
AT	629	629
AU	630	631





<u>Defendant's Exhibits</u>	<u>For Identification</u>	<u>In Evidence</u>
X	258	259
Y	260	264
Z	269	295
AA	298	529
AB		337
AC	359	360
AD	360	360
AE	363	668
AF	409	429
AG	472	480
AH	481	486
AI	486	490
AJ	490	492
AK	402	493
AL	494	494
AM	517	523
AN	524	524, 2354
AO	564	565
AP	610	618
AQ	618	2353
AR	622	622
AS	623	623
AT	629	629
AU	630	631



<u>Defendant's Exhibits</u>	<u>For Identification</u>	<u>In Evidence</u>
BZ	1702	1703
CA	1703	1704
CB	1704	1706
CC	1708	1708
CD	1709	1709
CE	1710	1711
CF	1712	1758
CG	1712	1758
CH	1718	1758
CI	1722	1758
CJ	1750	1758
CK	1758	1760
CL	1760	1777
CM	1809	1820
CN	1837	1848
CO	1847	1859
CP	1859	
CQ	1860	2353
CR	1879	
CS	2055	2356
CT	2066	2080
CU	2066	2080
CV	2077	
CW	2082	2083



<u>Defendant's Exhibits</u>	<u>For Identification</u>	<u>In Evidence</u>
CX	2226	2239
CY	2239	2255
CZ	2255	2273
DA	2291	2294
DB	2293	2356
DC	2331	2331
DD	2361	
DE	2397	

















